Mogale City Local Municipality
Annual Financial Statements
for the year ended June 30, 2014

Mogale City Local Municipality

(Registration number GT 481)
Annual Financial Statements for the year ended June 30, 2014

General Information

Legal form of entity	Municipality in terms of section 1 of the local Government:Municipal Structures Act(Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa(Act 108 of 1996)
Nature of business and principal activities	Municipality
Legislation governing the municipality's operations	Local Government:Municipal Finance Management Act(Act No.56 of 2003) Local Government :Municipal System Act (act 32 of 2000) Local Government:Municipal Structures Act(Act 117 of 1998) Constitution of the Republic of South Africa (Act 108 of 1996) Property Rates Act (Act of 6 2004) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Executive Mayor	Cllr K.C Seerane
	Speaker: Cllr.S.M.Thupane
Councillors	Chief Whip:Cllr.S.Dube
	MMC Finance:Cllr.F.O.Bhayat
	MMC Human Settlement and Rural Development:Cllr.S.Letsie
	MMC Roads & Transport:Cllr.N.E. Mdlulwa
	MMC Corporate Support Services:Cllr.N.C Mangole
	MMC Infrastructure Deverlopment:Cllr.M.Khuzwayo
	MMC Economic Services:Cllr.B.Friedman
	MMC Health and Social Services:Cllr.E.Mathe
	MMC Intergrated Enviromental Management:Cllr.M.A Mathibe
	MMC Sports and Recreation:Cllr.K.A Setswalo-Moja
	MMC Public Safety:Cllr.N.Kufa
Grading of local authority	High Capacity(Grade 5)
Accounting Officer	Mr D.M Mashitisho
Chief Finance Officer (CFO)	Mr L.M.E Mahuma
Registered office	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Business address	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Postal address	P.O Box 94 Krugersdorp 1740
Bankers	Standard Bank of South Africa
Auditors	Auditor -General South Africa(AGSA)

Mogale City Local Municipality
(Registration number GT 481)
Annual Financial Statements for the year ended June 30, 2014

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Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
SETA	Services Sector Education & Training Authority
GPR-HIV/AIDS	Gauteng Provincial Local Government and Housing
BKB	Bontle ke Botho
WRDM	West Rand District Municipality
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SRAC	Sports, Recreation, Arts & Culture
DWAF	Department of Water and Forestry
GDSD	Gauteng Department of Social Development

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to June 30, 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has, or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors and internal auditors.

The annual financial statements set out on page 4 to 96, which have been prepared on the going concern basis, were approved by the Accounting Officer on June 30, 2014:

Accounting Officer

Mogale City Local Municipality
(Registration number GT 481)
Annual Financial Statements for the year ended June 30, 2014

Statement of Financial Position

Figures in Rand	Note(s)	2014	2013 Restated*
ASSETS			
CURRENT ASSETS			
Inventories	2	14,057,661	11,163,246
Receivables from non-exchange transactions	3	55,136,491	42,099,241
Consumer debtors	4	357,732,207	394,028,861
Cash and cash equivalents	5	96,704,604	90,163,273
Operating lease asset	6	296,263	351,841
		523,927,226	**537,806,462**
NON-CURRENT ASSETS			
Investment property	7	500,980,075	479,056,482
Property, plant and equipment	8	5,230,624,730	5,267,971,190
Intangible assets	9	4,926,566	1,143,358
Heritage assets	10	619,685	619,685
Financial assets/instruments	11	53,934,765	47,107,548
		5,791,085,821	**5,795,898,263**
Total Assets		**6,315,013,047**	**6,333,704,725**
LIABILITIES			
CURRENT LIABILITIES			
Employee benefit obligation	13	19,628,430	15,404,940
Finance lease obligation	14	2,643,739	11,567,062
Unspent conditional grants and receipts	15	8,183,204	7,984,020
Provisions	16	5,891,410	5,223,408
Payables from exchange transactions	17	438,022,295	386,102,901
Financial liabilities	18	23,154,351	21,945,264
Sundry deposits	20	9,968,309	9,278,847
VAT payable	21	70,446,060	70,831,660
Consumer deposits	22	45,609,474	39,458,450
Operating lease liability	6	-	148,197
		623,547,272	**567,944,749**
NON-CURRENT LIABILITIES			
Employee benefit obligation	13	177,607,089	161,051,031
Finance lease obligation	14	969,241	1,925,559
Provisions	16	14,894,227	13,509,502
Financial liabilities	18	320,848,444	344,697,334
		514,319,001	**521,183,426**
TOTAL LIABILITIES		**1,137,866,273**	**1,089,128,175**
NET ASSETS		**5,177,146,774**	**5,244,576,550**
NET ASSETS			
Social Responsibility Fund		8,880,072	6,229,360
Accumulated surplus		5,168,266,702	5,238,347,190
TOTAL NET ASSETS		**5,177,146,774**	**5,244,576,550**

* See Note 44

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	1,122,808,922	1,068,152,668
Rental of facilities and equipment	26	2,969,096	2,820,595
Interest received - Outstanding debtors		14,518,137	10,348,995
Income from agency services	27	21,407,918	24,950,345
Licences and permits		28,140	16,743
Interest received - investment	28	12,624,109	13,536,638
Dividends received	28	34,455	-
Other receivables income	29	83,812,267	72,390,697
Total revenue from exchange transactions		**1,258,203,044**	**1,192,216,681**
Revenue from non-exchange transactions			
Property rates	30	308,722,620	272,542,224
Property rates - penalties imposed	30	32,025,759	20,863,421
Government grants & subsidies	31	342,611,100	350,650,478
Fines		170,019,088	10,486,829
Total revenue from non-exchange transactions		**853,378,567**	**654,542,952**
Total revenue	24	**2,111,581,611**	**1,846,759,633**
Expenditure			
Employee related costs	32	(485,612,575)	(439,069,153)
Remuneration of councillors	33	(24,074,379)	(19,019,067)
Depreciation and amortisation expenses	34	(267,254,626)	(242,281,983)
Impairment loss/ Reversal of impairments	35	(316,151)	362,100
Finance costs	36	(55,300,492)	(45,421,424)
Debt impairment	37	(221,318,129)	(28,532,791)
Collection costs		(34,042,829)	(24,929,715)
Repairs and maintenance	38	(69,372,351)	(69,974,982)
Bulk purchases	39	(657,955,331)	(607,052,115)
Contracted services	40	(175,811,239)	(165,825,417)
Grants and subsidies paid	41	(25,461,629)	(32,509,880)
General Expenses	42	(151,769,421)	(135,692,298)
Fair value adjustments and assets written off	43	(10,614,344)	(75,817,555)
Total expenditure		**(2,178,903,496)**	**(1,885,764,280)**
Operating deficit		**(67,321,885)**	**(39,004,647)**
Deficit for the year		**(67,321,885)**	**(39,004,647)**

* See Note 44

Mogale City Local Municipality

(Registration number GT 481)
Annual Financial Statements for the year ended June 30, 2014

Statement of Changes in Net Assets

Figures in Rand	Social responsibility fund	Accumulated surplus	Total net assets
Opening balance as previously reported	3,593,847	5,283,366,406	5,286,960,253
Adjustments			
Prior year adjustments	-	(3,179,311)	(3,179,311)
Balance at July 01, 2012 as restated*	**3,593,847**	**5,280,187,095**	**5,283,780,942**
Changes in net assets			
Deficit for the year	-	(39,004,647)	(39,004,647)
Corporate social responsibility fund	2,635,513	-	2,635,513
Total changes	2,635,513	(39,004,647)	(36,369,134)
Opening balance as previously reported	6,229,360	5,227,465,084	5,233,694,444
Adjustments			
Prior year adjustments	-	10,882,106	10,882,106
Restated* Balance at July 01, 2013 as restated*	**6,229,360**	**5,238,347,190**	**5,244,576,550**
Changes in net assets			
Deficit for the year	-	(67,321,885)	(67,321,885)
Corporate social responsibility fund	1,496,701	-	1,496,701
Total changes	1,496,701	(67,321,885)	(65,825,184)
Balance at June 30, 2014	**8,880,072**	**5,168,266,702**	**5,177,146,774**

See note 44 for more details

* See Note 44

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Property rates		344,658,276	301,849,988
Cash receipts from services rendered		984,222,274	926,687,592
Government Grants		342,810,284	344,760,399
Interest income		12,624,109	13,536,638
Dividends received		34,455	-
Other receipts		180,941,929	98,610,338
		1,865,291,327	1,685,444,955
Payments			
Employee costs		(464,833,027)	(374,428,093)
Cash paid to Suppliers and other payments		(1,085,137,520)	(1,058,209,841)
Finance costs (Interest paid)		(55,300,492)	(45,421,424)
		(1,605,271,039)	(1,478,059,358)
Net cash flows from operating activities	45	**260,020,288**	**207,385,597**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(211,109,991)	(305,159,252)
Proceeds from sale of property, plant and equipment	8	1,160,629	-
Purchase of investment property	7	-	(18,578,875)
Purchase of intangible assets	9	(4,182,934)	(172,900)
Purchases of heritage assets	10	-	(299)
Sale of investments	10	(6,827,217)	-
Net cash flows from investing activities		**(220,959,513)**	**(323,911,326)**
Cash flows from financing activities			
Proceeds from long-term liabilities		-	190,994,208
Repayment of long term liabilities		(22,639,803)	(19,444,639)
Finance lease payments		(9,879,641)	(8,635,855)
Net cash flows from financing activities		**(32,519,444)**	**162,913,714**
Net increase in cash and cash and cash equivalents		**6,541,331**	**46,387,985**
Cash and cash equivalents at the beginning of the year		90,163,273	43,775,288
Cash and cash equivalents at the end of the year	5	**96,704,604**	**90,163,273**

* See Note 44

Mogale City Local Municipality

(Registration number GT 481)
Annual Financial Statements for the year ended June 30, 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Services charges	1,226,997,625	(58,802,855)	**1,168,194,770**	1,122,808,921	**(45,385,849)**	Note 45
Rental of facilities and equipment	3,232,546	45,557	**3,278,103**	2,969,096	**(309,007)**	
Interest received outstanding debtors	9,231,888	3,601,941	**12,833,829**	14,518,137	**1,684,308**	
Income from agency services	19,075,486	5,874,859	**24,950,345**	21,407,917	**(3,542,428)**	
Licence and permits	17,468	4,577	**22,045**	28,140	**6,095**	
Other income	39,355,255	11,953,056	**51,308,311**	84,905,340	**33,597,029**	
Interest received - investment	1,000,000	1,937,712	**2,937,712**	12,658,564	**9,720,852**	
Total revenue	**1,298,910,268**	**(35,385,153)**	**1,263,525,115**	**1,259,296,115**	**(4,229,000)**	
Revenue from non-exchange transactions						
Property rates	286,716,289	3,191,691	**289,907,980**	308,722,620	**18,814,640**	
Property rates - penalties imposed	18,392,844	11,868,305	**30,261,149**	31,072,612	**811,463**	
Government grants & subsidies	341,179,295	8,134,761	**349,314,056**	342,486,897	**(6,827,159)**	
Fines	19,582,907	2,607,831	**22,190,738**	170,003,359	**147,812,621**	
Total revenue from non-exchange transactions	**665,871,335**	**25,802,588**	**691,673,923**	**852,285,488**	**160,611,565**	
Total revenue	**1,964,781,603**	**(9,582,565)**	**1,955,199,038**	**2,111,581,603**	**156,382,565**	
Expenditure						
Employee Related Costs	(512,967,799)	14,563,426	**(498,404,373)**	(485,612,575)	**12,791,798**	
Remuneration of councillors	(22,056,437)	(3,749,594)	**(25,806,031)**	(24,074,379)	**1,731,652**	
Fair value adjustments and Assets written off	-	-	**-**	(10,614,344)	**(10,614,344)**	
Depreciation and amortisation	(251,615,220)	(30,193,827)	**(281,809,047)**	(267,254,626)	**14,554,421**	
Impairment of assets	-	-	**-**	(316,151)	**(316,151)**	
Finance costs	(39,487,588)	(764,629)	**(40,252,217)**	(55,300,492)	**(15,048,275)**	
Debt impairment	(57,699,727)	2,004,018	**(55,695,709)**	(221,318,129)	**(165,622,420)**	
Collection costs	(23,415,748)	(3,812,522)	**(27,228,270)**	(34,042,829)	**(6,814,559)**	
Repairs and maintenance	(80,925,263)	30,403,607	**(50,521,656)**	(69,372,351)	**(18,850,695)**	
Bulk purchases	(683,805,306)	(7,343,080)	**(691,148,386)**	(657,955,331)	**33,193,055**	
Contracted Services	(188,505,461)	(7,020,432)	**(195,525,893)**	(175,811,239)	**19,714,654**	
Grants and subsidies paid	(37,057,684)	(1,236,404)	**(38,294,088)**	(25,461,629)	**12,832,459**	
General Expenses	(204,097,792)	(77,272,748)	**(281,370,540)**	(151,769,421)	**129,601,119**	
Total expenditure	**(2,101,634,025)**	**(84,422,185)**	**(2,186,056,210)**	**(2,178,903,496)**	**7,152,714**	
(Deficit)/Surplus for the year	**(136,852,422)**	**(94,004,750)**	**(230,857,172)**	**(67,321,893)**	**163,535,279**	
	(136,852,422)	**(94,004,750)**	**(230,857,172)**	**(67,321,893)**	**163,535,279**	**See note 45**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	286,716,289	3,191,691	289,907,980	-		289,907,980	308,722,620		18,814,640	106 %	108 %
Service charges	1,226,997,625	(58,802,855)	1,168,194,770	-		1,168,194,770	1,122,808,921		(45,385,849)	96 %	92 %
Investment revenue	10,231,888	5,539,653	15,771,541	-		15,771,541	27,176,700		11,405,159	172 %	266 %
Transfers recognised - operational	234,461,334	4,748,344	239,209,678	-		239,209,678	237,205,665		(2,004,013)	99 %	101 %
Other own revenue	99,656,506	32,354,185	132,010,691	-		132,010,691	310,386,454		178,375,763	235 %	311 %
Total revenue (excluding capital transfers and contributions)	**1,858,063,642**	**(12,968,982)**	**1,845,094,660**	**-**		**1,845,094,660**	**2,006,300,360**		**161,205,700**	**109 %**	**108 %**
Employee costs	(512,967,799)	14,563,423	(498,404,376)	-	-	(498,404,376)	(485,612,575)	-	12,791,801	97 %	95 %
Remuneration of councillors	(22,056,437)	(3,749,594)	(25,806,031)	-	-	(25,806,031)	(24,074,379)	-	1,731,652	93 %	109 %
Debt impairment	(57,699,727)	2,004,018	(55,695,709)			(55,695,709)	(101,641,680)	-	(45,945,971)	182 %	176 %
Depreciation and asset impairment	(251,615,220)	(30,193,822)	(281,809,042)			(281,809,042)	(267,254,623)	-	14,554,419	95 %	106 %
Finance charges	(50,346,096)	(11,552,315)	(61,898,411)	-	-	(61,898,411)	(55,300,492)	-	6,597,919	89 %	110 %
Materials and bulk purchases	(764,730,569)	23,060,526	(741,670,043)	-	4,804,561	(736,865,482)	(727,327,681)	-	9,537,801	99 %	95 %
Transfers and grants	(37,057,684)	(912,204)	(37,969,888)	-	-	(37,969,888)	(26,461,629)	-	11,508,259	70 %	71 %
Other expenditure	(405,160,493)	(77,642,217)	(482,802,710)	-	(4,804,561)	(487,607,271)	(491,230,418)	-	(3,623,147)	101 %	121 %
Total expenditure	**(2,101,634,025)**	**(84,422,185)**	**(2,186,056,210)**	**-**	**-**	**(2,186,056,210)**	**(2,178,903,477)**	**-**	**7,152,733**	**100 %**	**104 %**
Surplus/(Deficit)	**(243,570,383)**	**(97,391,167)**	**(340,961,550)**	**-**		**(340,961,550)**	**(172,603,117)**		**168,358,433**	**51 %**	**71 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	106,717,961	3,386,416	110,104,377	-		110,104,377	105,281,242		(4,823,135)	96 %	99 %
Surplus (Deficit) after capital transfers and contributions	**(136,852,422)**	**(94,004,751)**	**(230,857,173)**	**-**		**(230,857,173)**	**(67,321,875)**		**163,535,298**	**29 %**	**49 %**
Surplus/(Deficit) for the year	**(136,852,422)**	**(94,004,751)**	**(230,857,173)**	**-**		**(230,857,173)**	**(67,321,875)**		**163,535,298**	**29 %**	**49 %**
Capital expenditure and funds sources											
Total capital expenditure	(220,581,037)	(33,231,451)	(253,812,488)	-		(253,812,488)	(241,823,244)		11,989,244	95 %	110 %
Sources of capital funds											
Transfers recognised - capital	(106,717,962)	(3,386,416)	(110,104,378)	-		(110,104,378)	(105,281,243)		4,823,135	96 %	99 %
Borrowing	(14,731,075)	(8,489,757)	(23,220,832)	-		(23,220,832)	(23,220,832)		-	100 %	158 %
Internally generated funds	(99,132,000)	(21,355,278)	(120,487,278)	-		(120,487,278)	(11,321,169)		109,166,109	9 %	11 %
Total sources of capital funds	**(220,581,037)**	**(33,231,451)**	**(253,812,488)**	**-**		**(253,812,488)**	**(139,823,244)**		**113,989,244**	**55 %**	**63 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	199,976,919	35,470,063	235,446,982	-		235,446,982	260,020,288		24,573,306	110 %	130 %
Net cash from (used) investing	(220,581,037)	(33,231,453)	(253,812,490)	-		(253,812,490)	(220,959,513)		32,852,977	87 %	100 %
Net cash from (used) financing	(23,326,969)	(1,382,197)	(24,709,166)	-		(24,709,166)	(32,519,444)		(7,810,278)	132 %	139 %
Net increase/(decrease) in cash and cash equivalents	**(43,931,087)**	**856,413**	**(43,074,674)**	**-**		**(43,074,674)**	**6,541,331**		**49,616,005**	**(15)%**	**(15)%**
Cash and cash equivalents at the beginning of the year	90,163,273	-	90,163,273	-		90,163,273	90,163,273		-	100 %	100 %
Cash and cash equivalents at year end	**46,232,186**	**856,413**	**47,088,599**	**-**		**47,088,599**	**96,704,604**		**(49,616,005)**	**205 %**	**209 %**

Accounting Policies

1. THE REPORTING ENTITY

Mogale City Local Municipality has been established in terms of the Municipal Structure Act (Act 117 of 1998) (hereafter referred to as “Mogale City”)

1.1. BASIS OF PREPARATION

1.1.1 Statement of compliance

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).
During the current financial year, the following accounting standards, interpretations and amendments published accounting by standards were adopted :

- GRAP 25 - Employee benefits;
- IGRAP 1 (revised) - Applying the probability test on initial recognition of revenue;
- IGRAP 16 - Intangible assets: Website costs;
- GRAP 27 (revised) - Agriculture;
- GRAP 31 (revised) - Intangible assets; and
- Amendments to GRAP 1, 3, 7, 9, 12, 13, 16 and 17.

These newly adopted standards, interpretations and amendments did not significantly impact our financial results .

The following accounting standards, interpretations and amendments published accounting standards which are relevant to Mogale City but not yet effective, have not been adopted in the current year:
- GRAP 18 – Segment reporting;
- GRAP 20 – Related party disclosures (revised);
- GRAP 32 – Service concessions arrangements: Grantor;
- GRAP 105 – Transfers of functions between entities under common control;
- GRAP 106 – Transfers of functions between entities not under common control;
- GRAP 107 – Mergers;
- GRAP 108 – Statutory receivables;
- GRAP 5 (revised) - Borrowing Costs;
- GRAP 100 (revised) - Discontinued operations; and
- IGRAP 17 - Service concession arrangements where a grantor controls a significant residual interest.

1.1.2 Basis of measurement
These annual financial statements were prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Accounting Policies

1.1.3 Functional and presentation currency

The annual financial statements are presented in South African Rand, which is Mogale City's functional currency. All financial information presented in Rand has been rounded to the nearest thousand.

1.1.4 Going Concern

The financial statements were prepared on a going-concern basis.

1.1.5 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

1.1.6 Budget information

Mogale City is typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through MFMA and the appropriate budget regulations.

The approved budget:

- Is presented by economic classification linked to performance outcome objectives; and
- Covers the fiscal period from 01 July to 30 June, annually.

The annual financial statements and the budget are prepared on the same basis of accounting. A comparison with the budgeted amounts for the reporting period was included in the Statement of Comparison of Budget and Actual amounts.

A difference of ten percent (10%) or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

1.1.7 Consistency of policies

Accounting Policies

The accounting policies, which are in all material respects consistent with those applied in the previous year, except as stated in note , are set out below.

1.1.8 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated according

1.1.9 Changes in accounting policy

1.1.9.1 Agriculture assets

Previously, Mogale City applied GRAP 101, Agriculture, when accounting for Biological Assets. GRAP 27: Agriculture became effective, for years beginning on or after 01 April 2013.

In applying GRAP 27: Agriculture, the biological assets of entity no longer meets the definition criteria for biological assets or agricultural activity as defined in the GRAP 27. As such Mogale City now accounts for these assets as part of Property, Plant and Equipment, (GRAP 17). A change in accounting policy. The impact of the change is disclosed in note 3. Previously

2. FINANCIAL REPORTING TERMS

2.1 Depreciation

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

2.2 Recognition criteria for assets
Assets are recognised if it is probable that future economic benefits or service potential will flow to Mogale City from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets:
- Property, Plant and Equipment;
- Investment Property;
- Intangible Assets;
- Heritage Assets.

2.3 Assets acquired at no costs/nominal cost
Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

2.4 Exchange transactions for non-monetary assets
Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

2.5 Useful life
Useful life is either:
- The period of time over which an asset is expected to be used by Mogale City; or
- The number of production or similar units expected to be obtained from the asset by Mogale City.

2.6 Current replacement cost
Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

2.7 Cost of inventories
The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.8 Net realisable value
Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

2.9 Cash generating assets
Cash generating assets are those assets held by Mogale City with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

2.10 Non-cash generating assets
Non-cash generating assets are assets other than cash generating assets.

2.10.1 Impairment Loss
Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortization).

2.10.2 Carrying Amount
Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

2..11 Cash generating unit
A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, Mogale City use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

Accounting Policies

2.12 Costs of disposal
Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

2.13 Fair value
Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

2.14 Recoverable amount
Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

2.15 Recoverable service amount
Recoverable service amount is the higher of non-cash generating asset's fair value less costs to sell and its value in use.

2.16 Value in use of a cash generating asset
Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, Mogale City estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and Mogale City applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows
In measuring value in use Mogale City:
Base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
Base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
Estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long term average growth rate for the products, industries, or country or countries in which Mogale City operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows
Estimates of future cash flows include:
projections of cash inflows from the continuing use of the asset;
projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and • consistent basis, to the asset; and
• net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.
Estimates of future cash flows exclude:
• cash inflows or outflows from financing activities; and
• income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that Mogale City expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

2.17 Discount rate
The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

2.18 Value in use of non-cash generating assets
Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential.

The present value of the remaining service potential of a non-cash generating assets is determined using the depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Mogale City would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset.
Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment
Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Assets under construction
Costs capitalised for work in progress in respect of activities to develop, enhance, or expand items of property, plant and equipment are classified as part of assets under construction. Assets under construction are capitalised once they are ready for use, that its, recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are carried at historical costs net of any impairment losses. Finance expenditure, net of finance income, are capitalised on qualifying asset. Depreciation only commences once the asset is ready for use.

Significant components, major spare parts and standby equipment's that have different useful lives or can be used in more than one period, are accounted for as separate items (major components) of property, plant and equipment. Spare parts and stand by equipment which can only be used in connection with a specific item of property, plant and equipment are accounted for as part of that item.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Animals
Animals are accounted for in terms of GRAP 17. The majority of animals are received as donations and transfers from other similar institutions for no consideration or from procreation. These assets are recorded at a deemed cost, and are depreciated accordingly.

Market determined prices or values are not available for certain animals due to lack of market because they are not commodities, as well as restrictions on trade of exotic animals which precludes the determination of a fair value.

Accounting Policies

Where Mogale City does acquire animals through supply chain processes these newly acquired animals are carried at cost less accumulated depreciation and any impairment losses. The offspring of newly acquired animals shall be recorded at a deemed cost and will also be depreciated accordingly.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Impairment of property, plant and equipment
The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition of items of property, plant and equipment
Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains or losses arising from the derecognition of items of property, plant and equipment are included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Reclassification of items of Property, Plant and Equipment
Assets which Mogale City holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available for sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in statement of financial position and presented in the revaluation reserve. Any loss is recognised in surplus or deficit.

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation charge for each period is recognised in surplus or deficit. Land is not depreciated as it is deemed to have an indefinite life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. Changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

As Mogale City maintains and acquires assets to provide a social service to the community, the useful lives and economic lives of these assets are equal. Consequently, no residual values are determined.

The useful lives of items of property, plant and equipment have been assessed as follows:

ASSET TYPE	COMPONENT TYPE	EUL
Pavements	Bituminous surface - thick	12
	Bituminous surface - medium	9
	Bituminous surface - thin	5
	Gravel surface	3
	Concrete/ block surface	20
	Structural layers - paved arterial/ distributors	30
	Structural layers - paved collectors	50
	Structural layers - paved access roads	80

Accounting Policies

Earthworks	Cut and fill earthworks	100
Road drainage	Kerbs - Arterial/ Distributor	20
	Kerbs - Collector/ Access	50
	Kerb inlets	20
	Lined open drain	50
	Unlined open drain	5
Road Furniture	Guard Rail	15
	Commuter shelter	15
	Road marking	5
	Cats eyes	3
	Mini roundabout	20
	Speed hump	20
	Traffic island	20
	Footpaths	20
	Street Signs	20
	Traffic Signs	7
	Rubbish bins	10
	Bill boards	7
	Traffic signal	15
	Bridges Super-structure	100
	Sub-structure	100
	Side barrier	60
	Abutment	100
Retaining walls	Anchored wall	50
	Retaining wall	60
Storm-water Conveyance	Canal lining	50
	Gabions	50
	Rip rap	20
	Culvert	60
Mechanical plant	Pump	15
	Engine	15
	Doser	15
	Generator	20
	Waster compactor	15
	Weighbridge	15
	Gas Monitoring equipment	15
	Baler	15
Electrical plant	Batteries	3
	Motor	15
	Telemetry	15
	Control panel	30
	Isolator	30
	Power factor equipment	30
Civil Structure	Mild Steel structure	30
	Timber structure	15
	Masonry structure	30
	Concrete structure	50
	Earthfill dam wall	80
	Rockfill dam wall	150
	Rollcrete dam wall	200
	Dam spillway and outlets	100
	Filter media	20
	Tank - plastic	15
	Tank - steel	30
	Tank - concrete	50
	Landfill lining	50
	Mild steel fittings	20
	Stainless steel fittings	40
	Chemical toilet	10
	VIP latrine	5
	Pedestal (communal water)	10
	Tap (communal water)	5

Accounting Policies

	Borehole well lining	30
Pipe-work	uPVC pipe	60
	Steel pipe	80
	HDPE pipe	80
	Clay	100
	Concrete - sanitation	40
	Concrete - storm-water	50
	Asbestos-cement pipe	40
	Sub-soil drains	60
	Valve	20
	Hydrant	20
	Meter	10
	Erf connection - water	50
	Erf connection - sewer	50
	Communal Pedestal	10
	HV Conductors Cable	50
	Pilot Cables	50
	HV Overhead Line	50
HV Substation	Transformer	60
	VTs (voltage transformer)	45
	CTs (current transformer)	45
	AUX Transformer	45
	Transformers NEC	45
	Panel	45
	HV Switchgear - Breakers	45
	HV Switchgear - Isolators	45
MV Conductors	Cable	50
	Pilot Cables	50
	MV Overhead Line	50
MV Substation	Transformer	45
	VTs (voltage transformer)	45
	CTs (current transformer)	45
	AUX Transformer	45
	MV Switchgear - Breakers	45
	MV Switchgear - Isolators	45
	Panel	45
	Ring Main Unit	45
MV Switchgear	Breakers	45
	Isolator	45
	Panel	45
MV Transformer	Mini-Sub	45
	Pole Transformer	45
LV Conductors	LV Cable	50
LV Overhead	Lines	50
Public Lighting	Street Light	45
	High mast	45
Municipal	LV Cable	50
	LV Overhead Lines	50
	Electricity Meter	20
Building Elements	Air conditioning	20
	Electrical installation	30
	Finishes	10
	Fire protection	20
	Fixtures & fittings	15
	Plumbing	20
	Security system	20
	Building Structure - Walls	60
	Building Structure - Roofs	40
	Gas installation	20
	Concrete floors	50
	Small building enclosure	20
	Lifts	10

Service Connections (on site)	Service Connections (on site)	Sewer connection	50
	Water connection		50
	Electricity		50
	VIP Latrine		5
	Septic tank		40
External improvements	Perimeter wall		30
	Fence - wire		15
	Carports		7
	Landscaping		30
	Lawns		30
	Irrigation		10
	Flood lights		30
	Light bollards		30
	External furniture		20
Sports facilities	Tennis court		15
	Bowling green		20
	Sportsfield		30
	Swimming pool		20
	Golf course		50
	Stadium		50

3.2 Investment property

Investment property includes property (land or a building or part of a building or both land and buildings held under finance lease) held to earn rentals or for capital appreciation, rather than held to meet service delivery objectives, production and supply of goods or services, or sale of assets in the ordinary course of operations.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in surplus or deficit.

Where investment property is acquired through a non exchange transaction, its cost is its fair value as at the date of acquisition.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in net surplus or deficit when it becomes receivable.

3.3 Intangible assets

An asset is identified as an intangible asset when it:

- is separable, i.e. capable of being separated or divided form the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so;
- arises from separable binding arrangements (including rights from contracts), regardless whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and Mogale City intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the Statement of Financial Performance. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

Mogale City does not have intangible assets with an indefinite useful life.

Intangible assets with a finite useful life are amortised on a straight line basis over their estimated useful life. The amortisation charge for each period is recognised in the Statement of Financial Performance.

Accounting Policies

The amortisation methods, assumption and estimated remaining useful life are reviewed annually. Any changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

Item		Useful Life
Computer Software	-	5 - 10 years

Intangible assets are tested for impairment annually as well as whenever there is an indication that the asset may be impaired.

Impairment losses in respect of intangible assets are recognised in surplus or deficit during the period in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash-generating Assets.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains or losses arising from the derecognition is included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

3.4 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 10 Heritage assets.

Heritage assets are carried at cost less any accumulated impairment losses. Where heritage assets are acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

Mogale City does not depreciate heritage assets. At each reporting date, Mogale City assesses whether there is an indication that it may be impaired. If any such indication exists, Mogale City estimates the recoverable amount or the recoverable service amount of the heritage asset. Any impairment losses is recognised in surplus or deficit.

Improvements to heritage assets are considered as sub-assets and are capitalised if it meets the definition of a heritage asset.

Compensation from third parties for items of heritage assets that were impaired, lost or given up is included in surplus or deficit.

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses arising from derecognition of a heritage asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, Mogale City needs not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

3.5 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Properties are identified as held-for-sale following a Council decision to dispose of properties that are no longer required for municipal purposes and the sale should be expected to qualify for recognition as a complete sale within one year from the date of classification.

Accounting Policies

Non-current assets and disposal groups classified as held-for sale will cease to be classified as such when the recognition criteria are no longer met.Assets classified as held-for-sale are measured at the lower of the asset's carrying amount, or fair value less cost to sell.

3.6 Inventories

Inventories that qualify for recognition are initially measured at cost. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition.

Subsequent to initial recognition inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

•Distribution at no charge or for a nominal charge; or

• Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is assigned using the first in, first out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.7 Receivables

Receivables are recognised initially at fair value, plus transaction cost.

Receivables are subsequently recognised at amortised cost, using an effective interest rate less provision for impairment.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that Mogale City will not be able to collect all amounts due accordingThe carrying amount of the asset is reduced through the use of an allowance account. The loss is recognised in surplus or deficit.

A provision is decreased if the decrease can be related objectively to an event occurring after the impairment was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

3.8 Cash and cash equivalents

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Bank overdrafts are offset against cash and cash equivalents in the Cash Flow Statement.

Cash which is subject to restrictions on its use is stated separately at carrying amount in the statement of financial position.

Accounting Policies

3.9 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

3.10 Financial instruments

Financial instruments are recognised when Mogale City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

3.10.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period.

Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Mogale City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

3.10.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

3.10.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates, which Mogale City has positive intent and ability to hold to maturity. Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method less any impairment.

3.10.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably measured. Subsequent to initial recognition, such investments are measured at cost, less any impairment.

3.10.5 Financial liabilities

After initial recognition, Mogale City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

3.10.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Accounting Policies

3.11 Impairment of cash and non-cash generating assets

Cash generating assets are those assets held by Mogale City with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Non cash generating assets are assets other than cash generating assets.

Measurement and recognition

At the end of each reporting period, carrying amounts of cash generating and non-cash-generating assets are reviewed to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable amount or recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the recoverable amount or recoverable service amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount or recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in the Statement of Financial Performance.

Any impairment loss of a revalued asset (cash generating or non-cash generating asset) is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the asset (cash generating or non-cash generating) to which it relates, Mogale City recognises a liability only to the extent that is a requirement in the Standards of GRAP.

Recoverable amount

The recoverable amount of a cash-generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, Mogale City estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and Mogale City applies an appropriate discount rate to those future cash flows. The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Recoverable service amount

The recoverable service amount of a non-cash-generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount or recoverable service amount.

The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

Cash generating units

Where it is not possible to estimate the recoverable amount of an individual cash-generating asset, Mogale City estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Cash-generating units are identified consistently from period to period for the same asset or type of asset, unless a change is justified.

Accounting Policies

An impairment loss is recognised for a cash generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash generating assets of the unit.

In allocating an impairment loss, Mogale City does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

Where a non-cash generating asset contributes to a cash generating unit, a proportion of the carrying amount of that non cash generating asset is allocated to the carrying amount of the cash generating unit prior to estimation of the recoverable amount of the cash generating unit.

Reversal for cash generating units

A reversal of an impairment loss for a cash generating unit is allocated to the cash generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets.

No part of the amount of such a reversal is allocated to a non-cash generating asset contributing service potential to a cash generating unit.

In allocating a reversal of an impairment loss for a cash generating unit, the carrying amount of an asset is not increased above the lower of:

- Its recoverable amount (if determinable); and
- The carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.
- The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Depreciation/Amortisation

After the recognition of an impairment loss or reversal thereof, the depreciation (amortisation) charge for the asset (cash generating or non-cash generating) is adjusted in future periods to allocate the cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash generating asset to a non-cash generating asset or from a non-cash generating asset to a cash generating asset only occur when there is clear evidence that such a redesignation is appropriate.

3.12 Leases

At inception of an arrangement, Mogale City determines whether the arrangement is or contains a lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes land and buildings elements, Mogale City assesses the classification of each element separately.

Accounting Policies

The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

3.12.1 Finance Lease – Mogale City as lessor

The municipality recognises finance lease receivables as assets on the Statement of Financial Position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

3.12.2 Operating leases – Mogale City as lessor

Mogale City presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Mogale City's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Mogale City in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

3.12.3 Finance leases – Mogale City as lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Mogale City will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

3.12.4 Operating leases – Mogale City as lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use.

Contingent rents are charged as expenses in the periods in which they are incurred.

3.13 Employee benefits

3.13.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Accounting Policies

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Mogale City has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

3.13.2 Pension benefits

Mogale City contributes to defined contribution pension plans and defined benefit pension plans for its employees. These plans are generally funded through payments to trustee-administered funds as determined by annual actuarial calculations.

3.13.3. Retirement benefits

Defined contribution plans are post-employment benefit plans under which Mogale City pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

3.13.4 Defined benefit post-retirement- healthcare benefits

Mogale City provides post-retirement healthcare benefits to certain of its retirees and their spouses.

The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation.

3.14 Other long term employee benefits

The municipality provides the following additional payments to employees based on certain criteria:

- Gratuity payment benefits; and
- Long service awards.

The municipality's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance.

The projected unit credit method has been used to value the obligation. The present value of the obligation is recognised on the Statement of Financial Position.

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement) of the employee multiplied by the number of years that the employee was not allowed to contribute retirement benefit plans.

Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Accounting Policies

3.15 Provisions

A provision is a liability of uncertain timing or amount.

Mogale City recognises a provision when it has a present legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Gains from the expected disposal of assets are not taken into account in measuring a provision.

3.15.1 Landfill rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites as a result of having used these sites being used for landfill purposes.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital.

Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets.

These provisions are reviewed at least annually. The effect of subsequent changes to assumptions in estimating an obligation for which the provision was recognised as part of the cost of the asset is adjusted against the asset.

Any subsequent changes to an obligation which did not relate to the initial construction of a related asset are charged to the Statement of Financial Performance.

The discount rate has not been risk adjusted. Any unwinding of discount is charged to the Statement of Financial Performance.

3.16 Contingent liabilities

A contingent liability is:

(a) A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Mogale City does not recognise contingent liabilities.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Accounting Policies

Annually Mogale City evaluates the possibility of the outflow of resources or service potential.

3.17 Contingent assets

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Mogale City.

.Mogale City does not recognise contingent assets.

Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Mogale City continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements.

Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

3.18 Value-Added Tax

Mogale City accounts for value-added tax (VAT) on the payment basis.

3.19 Revenue

Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, grants from National and Provincial Government, service charges, rentals, interest received and other services rendered.

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Mogale City, and when these benefits can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Mogale City derives revenue from exchange and non-exchange transactions.

3.19.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Accounting Policies

Rendering of services

Mogale City recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, that is, when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to Mogale City.
- The stage of completion of the transaction at the reporting date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Tariffs:

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of the financial year.

Service charges from sewerage and sanitation are based on the level of water consumption as additional service and the property area size on each property as basic service using the tariffs approved from Council and are levied monthly

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property and are levied monthly.

Prepaid water and electricity:

Revenue from the sale of prepayment water and electricity is recognised at the point of sale.

Agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest revenue

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments.

Interest earned on outstanding debtors is recognised on a time proportionate basis.

Rental of facilities and equipment

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Dividends are recognised when the municipality's right to receive payment is established.

3.20 Revenue from non-exchange transactions

Revenue from non exchange transactions refers to transactions where the economic entity received revenue from another entity without directly giving approximately equal value in exchange.

Accounting Policies

Revenue from non exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when invoiced. Collection charges are recognised when such amounts are legally enforceable and invoiced. Penalty interest on unpaid rates is recognised on a time proportion basis. A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Services in-kind

Services in-kind are not recognised.

3.21 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings

Mogale City capitalises borrowing costs commences when

- borrowing costs have been incurred;
- expenditure have been incurred; and
- It undertakes activities that are necessary to prepare the asset for its intended use or sale.

Where Mogale City applies general borrowed funds to obtain a qualifying asset, Mogale City applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Mogale City suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Mogale City ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

Accounting Policies

3.22 Unauthorised expenditure

Unauthorised expenditure is that which has not been budgeted for; expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or expenditure in the form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

3.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.25 Related parties

Mogale City regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa.

While Mogale City is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Mogale City.

Management is regarded as a related party, and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, Chief Financial Officer, Chief Operating Officer and other executive directors.

3.27 Electricity distribution losses

Electricity distribution losses are calculated after taking the following into account:

- Transmission losses;
- Municipal consumption;

Accounting Policies

- Free basic electricity; and
- Theft.

Electric transmission represents losses that arise from the resistance when electricity is transmitted from Eskom to Mogale City Local Municipality and to the end user. This amount of electricity lost is dependent on the specific conductors, the current flowing, and the length of the transmission line. This loss is not under the control of Mogale City

3.28 Grants-in-aid

Mogale City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, Mogale City does not:

- receive any goods or services directly in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period during which the events giving rise to the transfer occurred.

3.29 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

3.30 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements..

Figures in Rand	2014	2013

2. Inventories

Consumable stores	11,748,838	9,665,962
Water	389,246	478,872
Other	1,919,577	1,018,412
	14,057,661	**11,163,246**

None of the invetories were pledged as security for liabilities.Stock shortages and surpluses arose after year- end stock count.

3. Receivables from non- exchange transactions

Developers contributions	6,020,679	10,859,571
Government grants and subsidies	-	22,672,731
Levies	12,746,955	12,822,959
Staff loans	3,983,927	5,682,130
Debtors staff leave	85,784	578,346
Other receivable	197,485,880	71,328,741
Impairment of other debtors	(165,186,734)	(81,845,237)
	55,136,491	**42,099,241**

Receivables from non-exchange transactions pledged as security

None of other receivables from non-exchange transactions were pledged as security for overdraft facilities.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired, can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Figures in Rand	2014	2013

3. Receivables from non- exchange transactions (continued)

Receivables from non- exchange transactions past due but not impaired

Receivables from non- exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2014, R8,990,078 (2013: R 30,222,910) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	5,021,657	17,296,155
2 months past due	1,284,981	463,556
3 months past due	2,683,440	12,463,199
Total	8,990,078	30,222,910

Receivables from non-exchange transactions impaired

The amount of the provision was R 165,186,734 as of June 30, 2014 (2013: R 81,845,237).

The ageing of these other debtors is as follows:

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	81,845,237	67,598,900
Provision for impairment	83,341,497	14,246,337
	165,186,734	**81,845,237**

The significant increase was due to the implementation of traffic fines as per GRAP 23 and IGRAP1 for the first time ,the Impairment on traffic fines amounted to R119,676,450.

4. Consumer debtors

Gross balances		
Rates	217,408,991	220,899,266
Electricity	122,396,078	125,792,891
Water	128,904,614	134,813,103
Sewerage	114,426,852	103,189,200
Refuse	157,439,274	154,185,235
Other	194,406,607	182,486,279
Credit balances transferred to creditors	46,921,510	44,330,950
	981,903,926	**965,696,924**
Less: Allowance for impairment		
Rates	(178,243,518)	(163,460,556)
Electricity	(28,687,695)	(29,306,113)
Water	(97,346,623)	(92,798,324)
Sewerage	(86,810,706)	(73,788,553)
Refuse	(143,076,878)	(116,740,665)
Other	(90,006,299)	(95,573,852)
	(624,171,719)	**(571,668,063)**
Net balance		
Rates	39,165,473	57,438,710
Electricity	93,708,383	96,486,778
Water	31,557,991	42,014,779

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
4. Consumer debtors (continued)		
Sewerage	27,616,146	29,400,647
Refuse	14,362,396	37,444,570
Other	104,400,308	86,912,427
Credit balances transferred to creditors	46,921,510	44,330,950
	357,732,207	**394,028,861**
Rates		
Current (0 -30 days)	73,363,162	81,672,438
31 - 60 days	3,564,124	3,645,236
61 - 90 days	3,433,432	6,286,743
91 - 120 days	137,048,274	129,294,850
	217,408,992	**220,899,267**
Electricity		
Current (0 -30 days)	93,589,627	95,363,801
31 - 60 days	2,447,891	2,318,176
61 - 90 days	1,071,243	1,292,750
91 - 120 days	25,287,316	26,818,164
	122,396,077	**125,792,891**
Water		
Current (0 -30 days)	28,667,818	39,527,265
31 - 60 days	4,072,376	3,331,963
61 - 90 days	2,409,925	3,442,959
91 - 120 days	93,754,496	88,510,916
	128,904,615	**134,813,103**
Sewerage		
Current (0 -30 days)	23,843,817	27,201,904
31 - 60 days	3,863,711	2,198,689
61 - 90 days	2,438,931	1,814,490
91 - 120 days	84,280,393	71,974,117
	114,426,852	**103,189,200**
Refuse		
Current (0 -30 days)	20,359,109	35,397,080
31 - 60 days	3,915,478	2,454,092
61 - 90 days	2,951,673	2,218,452
91 - 120 days	130,213,015	114,115,611
	157,439,275	**154,185,235**
Credit Balances transferred to creditors		
Current (0 -30 days)	7,018,729	7,770,681
31 - 60 days	1,534,752	3,044,469
61 - 90 days	1,697,668	1,837,096
91 - 120 days	39,739,864	31,678,704
	46,921,510	**44,330,950**
Other		
Current (0 -30 days)	10,648,857	51,257,282
31 - 60 days	3,428,276	5,079,348
61 - 90 days	3,975,879	3,747,869
91 - 120 days	85,237,149	122,401,780

Figures in Rand	2014	2013

4. Consumer debtors (continued)

	103,290,161	**182,486,279**

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At June 30, 2014,R270,455,877(2013: R 307,639,754) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	251,054,911	286,019,829
2 months past due	3,391,690	12,785,670
3 months past due	16,009,276	8,834,255

Consumer debtors impaired

As of June 30, 2014, total consumer debtors were R 981,903,926 (2013: R 965,696,924).

The amount of the provision was R 624,171,719 as of June 30, 2014 (2013: R 571,668,063).

The ageing of these receivable are as follows:

90 days and beyond	624,171,719	571,668,063

Reconciliation of allowance for impairment of consumer debtors

Opening balance	571,668,063	592,875,454
Provision for impairment	137,005,221	15,692,892
Amounts written off as uncollectible	(84,501,567)	(36,900,283)
	624,171,717	**571,668,063**

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	26,014	30,031
Bank balances	27,205,911	33,391,737
Call accounts money market accounts	69,472,679	56,741,505
	96,704,604	**90,163,273**
Current assets	96,704,604	90,163,273
Current liabilities	-	-
	96,704,604	**90,163,273**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Cash and cash equivalents pledged as collateral

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Cash and cash equivalents (continued)

Total financial assets pledged as collateral [This collateral are held by South African Post Office]	500,000	500,000

2014
Guarantee no. Standard Bank call account no:728430118 has been binded as guarantor to South African Post Office for payments of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment Guarantee shall not exceed in agregate the sum of R 500,000

5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2014	June 30, 2013		June 30, 2014	June 30, 2013	
Standard Bank-021457654	-	27,339	-	-	27,339	-
Standard Bank- 021307482	653,942	2,255,224	-	654,139	2,254,956	-
Standard Bank-021307474 Cheque Accounts	3,801,902	1,570,241	-	3,801,947	1,570,241	-
Standard Bank- 021307385 Cheque Accounts	35,003	35,543	-	35,003	35,543	-
Standard Bank- 021307172 Cheque Accounts	415,914	14,265	-	412,880	14,212	-
Standard Bank- 021307105 Cheque Accounts	9,736,528	22,919,139	-	9,736,630	22,919,052	-
Standard Bank-021306958 Cheque Accounts	2,297,149	2,788,279	-	2,051,968	2,832,422	-
Standard Bank-021306532 Cheque Accounts	10,513,069	3,738,271	-	10,513,389	3,737,972	-
Call Account	69,472,679	56,741,505	-	69,472,679	56,741,505	-
Petty Cash	26,014	30,031	-	26,014	30,031	-
Total	**96,952,200**	**90,119,837**	**-**	**96,704,649**	**90,163,273**	**-**

2014

Differences on bank statement balances and cash book balances
The differences between bank statement balances and the cash book balances amounting to R247,551 relates to transactiions that are received after the cut off time for the day and are captured the next calendar day, under the retrospective date.
Inthis case, these have mainly been attributed to bank charges and deposits going through the Cash Centre after cut-off hours (via Cash In Transit companies) and as such still captured after the cut off time of 20:00hrs pm, and therefore would not reflect on the same day's statement immediately.

2013
Differences on bank statement balances and cash book balances
The differences between bank statement balances and the cash book balances amounting to R43,436, relates to transactions that are received after the cut off time for the day and are captured the next calendar day, under the retrospective date.
They are usually termed 'heldovers' and should ideally be captured under retrospective date to ensure proper accounting.

In this case, these have mainly been attributed to bank charges and deposits going through the Cash Centre after cut-off hours (via Cash In Transit companies) and as such still captured after the cut off time of 20:00hrs pm, and therefore would not reflect on the same day's statement immediately.

6. Operating lease asset/Liabilities

Current assets	296,263	351,841
Current liabilities	-	(148,197)
	296,263	**203,644**

Notes to the Annual Financial Statements

Figures in Rand

7. Investment property

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	500,980,075	-	500,980,075	479,056,482	-	479,056,482

Notes to the Annual Financial Statements

Figures in Rand

7. Investment property (continued)

Reconciliation of investment property - 2014

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	479,056,482	(1,432,233)	23,355,826	500,980,075

Notes to the Annual Financial Statements

Figures in Rand

7. Investment property (continued)

Reconciliation of investment property - 2013

	Opening balance	Additions	Fair value adjustments	Fair value adjustment	Total
Investment property	529,134,237	18,578,875	(68,656,630)	(68,656,630)	479,056,482

Fair value adjustment of investment properties

2014
The latest valuation roll was obtained from the municipality and the values for individual properties extracted .The fair value adjustment is based on the trend sales price were based on data sourced from the Lightstone website that records all sales transactions per surburb on monthly basis (425 in the last year).The trend indicates an increase of 4,89% on the latest valuation rolls values.The Valuation was conducted by i@ Consulting on the 30 June 2014.

2013

The decrease of 13% was calculated by assessing trends in the value of sales transactions for the surburb where there is investment property.The trend are calculated the rolling 12 month average sales amount(from the Property Intellect website) with that of the previous financial year.Carrying value of assets pledged as security. The valuation was conducted on the 30 June 2013 by i@ Consulting.

Notes to the Annual Financial Statements

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8. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	105,338,640	-	105,338,640	105,338,640	-	105,338,640
Buildings	385,790,673	(252,013,436)	133,777,237	396,555,113	(241,496,144)	155,058,969
Plant and machinery	24,871,109	(17,042,187)	7,828,922	26,526,151	(16,068,244)	10,457,907
Furniture and fixtures	13,380,169	(7,438,638)	5,941,531	13,843,730	(6,454,318)	7,389,412
Motor vehicles	21,795,631	(19,198,086)	2,597,545	21,016,565	(18,925,580)	2,090,985
Office equipment	3,058,720	(2,237,654)	821,066	2,793,888	(2,063,275)	730,613
IT equipment	13,246,891	(10,588,270)	2,658,621	12,895,964	(10,163,454)	2,732,510
Roads	3,386,038,906	(1,193,131,710)	2,192,907,196	3,337,280,917	(1,114,683,436)	2,222,597,481
Community assets	1,026,321,669	(383,291,716)	643,029,953	958,538,009	(359,413,755)	599,124,254
Bins and containers	7,364,996	(6,647,338)	717,658	7,364,996	(6,511,725)	853,271
Electricity	2,716,347,517	(1,644,153,117)	1,072,194,400	2,644,380,829	(1,551,215,436)	1,093,165,393
Emergency equipment	71,725	(46,647)	25,078	73,198	(34,546)	38,652
Other leased Assets	36,017,102	(32,824,363)	3,192,739	31,837,253	(22,252,141)	9,585,112
Animals PPE	4,215,818	(2,640,355)	1,575,463	4,124,340	(2,186,820)	1,937,520
Inventory items	1,791,994	(1,707,880)	84,114	1,763,722	(1,198,454)	565,268
Library books	18,793,406	(11,191,747)	7,601,659	19,017,829	(8,442,214)	10,575,615
Wastewater network	1,251,091,572	(690,451,093)	560,640,479	1,251,189,555	(671,150,202)	580,039,353
Water network	1,032,761,618	(543,247,364)	489,514,254	983,965,746	(518,460,888)	465,504,858
Air conditioners	1,177,982	(999,807)	178,175	1,177,982	(992,605)	185,377
Total	**10,049,476,138**	**(4,818,851,408)**	**5,230,624,730**	**9,819,684,427**	**(4,551,713,237)**	**5,267,971,190**

Reconciliation of property, plant and equipment - 2014

8. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers	Work in progress	Depreciation	Impairment loss	Impairment reversal	Total
Land	105,338,640	-	-	-	-	-	-	-	105,338,640
Buildings	155,058,969	6,816,467	(159,302)	-	(17,421,606)	(10,517,292)	-	-	133,777,237
Plant and machinery	10,457,907	1,596,281	(330,077)	-	(2,921,246)	(973,943)	-	-	7,828,922
Furniture and fixtures	7,389,413	414,044	(171,017)	-	(706,589)	(984,320)	-	-	5,941,531
Motor vehicles	2,090,985	624,448	(9,999)	-	164,617	(272,507)	-	-	2,597,544
Office equipment	730,613	295,820	(46,730)	-	15,741	(174,379)	-	-	821,066
IT equipment	2,732,511	628,965	(122,884)	65,300	(220,454)	(424,816)	-	-	2,658,622
Roads	2,222,597,481	46,251,727	(1,295,893)	3,478,334	323,822	(78,423,800)	(24,475)	-	2,192,907,196
Community assets	599,124,254	111,642,619	(3,517,164)	5,927,129	(46,268,924)	(23,907,123)	(1,521)	30,684	643,029,953
Bins and containers	853,271	721,936	-	-	(721,936)	(135,612)	-	-	717,659
Electricity	1,093,165,392	20,688,273	-	17,378,226	33,900,189	(92,978,021)	-	40,341	1,072,194,400
Emergency Equipment	38,652	-	(1,474)	-	-	(12,100)	-	-	25,078
Other leased Assets	9,585,112	4,179,848	-	-	-	(10,605,101)	-	-	3,192,739
Animals PPE	1,937,521	-	(356,689)	481,046	-	(453,536)	-	-	1,575,464
Inventory items	565,269	28,278	(7)	-	-	(509,427)	-	-	84,113
Library books	10,575,615	516,898	(663,001)	-	(78,320)	(2,749,533)	-	-	7,601,657
Wastewater network	580,039,353	153,746,760	(1,723,495)	-	(152,121,247)	(18,939,712)	(361,180)	-	560,640,479
Water network	465,504,858	25,017,898	(217,707)	-	23,995,681	(24,786,475)	-	-	489,514,254
Air conditioners	185,376	-	-	-	-	(7,200)	-	-	178,176
	5,267,971,192	**373,170,262**	**(8,615,439)**	**27,330,035**	**(162,060,272)**	**(266,854,897)**	**(387,176)**	**71,025**	**5,230,624,730**

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2014

	Opening balance	Movement	Total
Infrastructure Assets	77,125,178	33,900,189	111,025,367
Building	23,710,699	(17,421,606)	6,289,093
Community	85,409,734	(46,448,300)	38,961,434
Computer Equipment	29,100	(29,100)	-
Landfill site	-	179,376	179,376
Roads and Stormwater Network	20,573,954	323,822	20,897,776
Sanitation Network	196,034,071	(152,121,247)	43,912,824
Water Supply Network	37,211,823	23,995,681	61,207,504
Bins and containers	721,936	(721,936)	-
Other :Computer Equipment	218,032	(191,354)	26,678
Other:furniture and fixtures	1,535,012	(706,589)	828,423
Motor Vehicle	-	164,617	164,617
Library books	160,342	(78,320)	82,022
Other:Office Equipment	92,476	15,741	108,217
Other:Plant & Equipment	2,815,764	(2,802,333)	13,431
Security Measures	118,913	(118,913)	-
Community Assets	22,270	-	22,270
	445,779,304	**(162,060,272)**	**283,719,032**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Work in progress	Depreciation	Impairment reversal	Total
Land	105,338,640	-	-	-	-	-	-	105,338,640
Buildings	153,681,796	-	-	-	12,674,710	(11,297,510)	-	155,058,969
Plant and machinery	10,014,144	716,511	(13,706)	-	2,984,691	(3,243,734)	-	10,457,907
Furniture and fixtures	5,093,355	3,031,054	(7,989)	135,679	(129,104)	(733,582)	-	7,389,413
Motor vehicles	4,179,599	962,673	(28,944)	-	-	(3,022,342)	-	2,090,985
Office equipment	424,239	376,845	(10,076)	3,699	92,476	(156,570)	-	730,613
IT equipment	4,363,040	357,860	(823,759)	87,960	192,809	(1,445,399)	-	2,732,511
Roads	2,268,446,661	42,019,548	(3,120,717)	-	12,262,568	(97,010,579)	-	2,222,597,481
Community assets	535,179,299	24,985,502	(1,721,374)	28,703,787	33,002,405	(22,369,365)	1,344,000	599,124,254
Bins and containers	294,476	-	-	-	590,680	(31,886)	-	853,271
Electricity	1,025,186,057	71,123,551	-	13,505,755	26,392,154	(43,042,125)	-	1,093,165,392
Emergency Equipment	51,690	-	-	-	-	(13,038)	-	38,652
Other leased Assets	19,183,444	590,157	-	-	-	(10,188,488)	-	9,585,112
Animals PPE	1,884,179	-	(735,397)	1,099,221	-	(310,482)	-	1,937,521
Inventory items	1,097,408	504,532	(3)	32,900	-	(1,069,569)	-	565,269
Library books	11,203,356	609,963	-	547,355	160,342	(1,945,401)	-	10,575,614
Wastewater network	549,151,550	10,128,627	(1,903,940)	-	41,859,258	(19,196,142)	-	580,039,353
Water network	470,554,937	-	-	-	19,669,440	(24,719,520)	-	465,504,858
Air conditioners	285,958	-	-	-	-	(100,582)	-	185,375
	5,165,613,828	**155,406,823**	**(8,365,905)**	**44,116,356**	**149,752,429**	**(239,896,314)**	**1,344,000**	**5,267,971,190**

Figures in Rand	2014	2013

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2013

	Opening balance	Movement	Total
Building property	10,642,822	12,674,710	23,317,532
Community	1,074,175	(1,074,175)	-
Community Assets	51,312,054	34,076,580	85,388,634
Infrastructure:Computer Equipment	-	29,100	29,100
Electricity network	55,791,591	26,392,154	82,183,745
Infrastructure:Furniture and fixtures	-	27,690	27,690
Infrastructure:Plant & Equipment	-	182,327	182,327
Roads and stormwater network	8,311,385	12,262,568	20,573,953
Sanitation network	149,116,246	41,859,258	190,975,504
Water supply network	17,542,382	19,669,440	37,211,822
Bins and containers	131,256	590,680	721,936
Other:computer equipment	54,323	163,709	218,032
Other:Furniture and fixtures	1,874,956	(156,794)	1,718,162
Library books	-	160,342	160,342
Other:office equipment	-	92,476	92,476
Other:Plant & equipment	132,313	2,683,451	2,815,764
Security measures	-	118,913	118,913
	295,983,503	**149,752,429**	**445,735,932**

A register as required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

The municipality has the assets with carrying value of R1 and is intending to replace them in due course.Below is the grouped category of those assets.

Assets with carrying value of R1

	Cost	Accumulated depreciation	Carrying value
Bins & Containers	6,397,879	(6,397,878)	1
Furniture & fittings	2,701,990	(2,701,989)	1
Inventory items	1,332,320	(1,332,319)	1
Office Equipment	2,943,230	(2,943,229)	1
Motor Vehicles	1,568,585	(1,568,584)	1
Plant & Equipment	4,075,793	(4,075,792)	1
Intangible Assets	291,108	(291,107)	1
	19,310,905	**(19,310,898)**	**7**

Notes to the Annual Financial Statements

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9. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	15,666,261	(10,739,695)	4,926,566	11,483,327	(10,339,969)	1,143,358

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Work in progress	Amortisation	Total
Computer software	1,143,358	1,965,057	2,217,877	(399,726)	4,926,566

Reconciliation of intangible assets - 2013

	Opening balance	Work in progress	Amortisation	Impairment loss	Total
Computer software	4,220,760	290,163	(2,385,665)	(981,900)	1,143,358

Notes to the Annual Financial Statements

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10. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Library books,Mayoral chains & paintings	619,685	-	619,685	619,685	-	619,685

Reconciliation of heritage assets 2014

	Opening balance	Total
Library books, Mayoral chains & paintings	619,685	619,685

Reconciliation of heritage assets 2013

	Opening balance	Additions	Transfers	Total
Library books,Mayoral chains & paintings	512,535	299	106,850	619,685

Figures in Rand	2014	2013

10. Heritage assets (continued)

Heritage assets

Library books, Mayoral chains & paintings

2013

Additions of R299 was due to purchases of books made during the year.

Figures in Rand	2014	2013

11. Financial assets/Instruments

Investment at Fair Value		
Listed shares(9670 interest in ordinary shares) These listed shares held by Sanlam Pty Ltd and were valued at a market value of R61.75 per share.	602,680	448,960
At amortised cost		
Investments These invesments are held by RMB (Rand Mecharnt Bank) which are sinking funds for the long term loans maturing in December 2017.	53,332,085	46,658,588
Total other financial assets/instruments	**53,934,765**	**47,107,548**
Non-current assets		
At fair value	602,680	448,960
At amortised cost	53,332,085	46,658,588
	53,934,765	**47,107,548**

12. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2014

	Financial instruments at fair value	Financial instruments at amortised	Total
Financial assets (Instruments) (refer to note 11)	602,680	53,332,085	53,934,765
Receivables from non- exchange transcations (refer to note 3)	-	55,136,491	55,136,491
Consumer Debtors (refer to note 4)	-	357,732,207	357,732,207
Call accounts money market accounts (refer to note 5)	-	69,472,679	69,472,679
Cash and cash equivalents(refer to note 5)	-	27,231,925	27,231,925
	602,680	**562,905,387**	**563,508,067**

2013

	Financial Instruments at fair value	Financial instruments at amortised	Total
Financial assets (Instruments) (refer to note 11)	448,960	46,658,588	47,107,548
Receivables from non- exchange transcations(refer to note 3)	-	42,099,241	42,099,241
Consumer Debtors (refer note to 4)	-	394,028,861	394,028,861
Call accounts money market account (refer to note 5)	-	56,741,505	56,741,505
Cash and cash equivalents (refer to note 5)	-	33,421,768	33,421,768
	448,960	**572,949,963**	**573,398,923**

Figures in Rand	2014	2013

13. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Medical aid fund	(149,173,423)	(125,048,159)
Long services awards	(46,801,479)	(50,301,745)
Ex-gratia Benefits	(1,260,617)	(1,106,067)
	(197,235,519)	**(176,455,971)**
Non-current liabilities	(177,607,089)	(161,051,031)
Current liabilities	(19,628,430)	(15,404,940)
	(197,235,519)	**(176,455,971)**

The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:Medical aid subsidy

Opening balance	125,048,159	111,814,911
Net expense recognised in the statement of financial performance	24,125,264	13,233,248
	149,173,423	**125,048,159**

Changes in the present value of the defined benefit obligation are as follows:Long service award

Opening balance	50,301,745	41,581,811
Net expense recognised in the statement of financial performance	(3,500,266)	8,719,934
	46,801,479	**50,301,745**

Changes in the present value of the defined benefit obligation are as follows:Ex-gratia benefits

Opening balance	1,106,067	1,015,397
Acturial losses	81,524	19,572
Net expense recognised in the statement of financial performance	73,026	71,098
	1,260,617	**1,106,067**

Figures in Rand	2014	2013

13. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance:Medical aid subsidy

Current service cost	5,746,461	4,988,609
Contributon paid(Benefits paid)	(4,538,020)	(3,864,492)
Interest cost	10,807,579	8,588,943
Actuarial losses/(Gains)	12,109,244	3,520,188
	24,125,264	**13,233,248**

Net expense recognised in the statement of financial performance:Long service award

Current service cost	4,070,459	4,817,075
Contributon paid(Benefits paid)	(4,142,886)	(3,612,866)
Interest cost	3,432,408	2,537,662
Actuarial losses/(Gains)	(6,860,247)	4,978,063
	(3,500,266)	**8,719,934**

Net expense recognised in the statement of financial performance:Ex-gratia benefits

Contributon paid(Benefits paid)	(9,534)	-
Interest cost	82,560	71,098
	73,026	**71,098**

Figures in Rand	2014	2013

13. Employee benefit obligations (continued)

Key assumptions used:Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	9.06 %	8.79 %
Health care cost inflation rate	8.25 %	7.80 %
net effective discount rate	0.75 %	0.91 %

The basis used to determine the discount rate

A discount rate of 9.06% per annum has been used. The corresponding index-linked yield at this term is 1.70%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2014.

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield)

Health Care Cost Inflation Rate

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.
A health care cost inflation rate of 8.25% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.75%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.75% which derives from ((1+9.06%)/(1+8.25%))-1.

The expected inflation assumption of 6.75% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.70%) and those of fixed interest bonds (9.06%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+9.06%-0.50%)/(1+1.70%))-1.
The next contribution increase was assumed to occur with effect from 1 January 2015.

Key assumptions used:Long service award

Assumptions used at the reporting date:

Discount rates used	7.95 %	7.22 %
General salary inflation	7.13 %	6.79 %
net effective discount rate	0.77 %	0.41 %

The basis used to determine the discount rate

A discount rate of 7.95% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.25%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2014.

The effect of the major categories of plan assets is as follows:

Figures in Rand	2014	2013

13. Employee benefit obligations (continued)

Salary Increase:

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.
The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 6.13% was obtained from the differential between market yields on index-linked bonds (1.25%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.95%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+7.95%-0.50%)/(1+1.25%))-1.

Thus, a general salary inflation rate of 7.13% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.77%.
It has been assumed that the next salary increase will take place on 1 July 2015.

Key assumptions used:Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	8.14 %	7.50 %
Salary increase rate	7.14 %	6.65 %
net effective discount rate	0.93 %	0.80 %

The basis used to determine the discount rate

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.14% per annum has been used. The corresponding index-linked yield at this term is 1.41%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield curve after the market close on 30 June 2014.

CPI Inflation Rate

This assumption is used to calculate the estimated growth in salaries of the eligible employees.
An expected inflation assumption of 6.14% was obtained from the differential between market yields on index-linked bonds (1.41%) consistent with the estimated term of the liability and those of fixed-interest bonds (8.14%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as (1+8.14%-0.50%)/ (1+1.41%).

Thus, a salary increase rate of 7.14% per annum over the expected term of the liability has been assumed, which is 1% greater than the estimate of CPI inflation over the same term. This assumption reflects a post retirement interest rate of 0.93%.

Figures in Rand	2014	2013

14. Finance lease obligation

Minimum lease payments due		
- within one year	2,949,294	14,378,766
- in second to fifth year inclusive	575,160	1,685,688
- later than five years	2,273,488	2,352,342
	5,797,942	18,416,796
less: future finance charges	(2,184,962)	(4,924,175)
Present value of minimum lease payments	**3,612,980**	**13,492,621**
Present value of minimum lease payments due		
- within one year	2,643,739	11,567,062
- in second to fifth year inclusive	109,313	1,100,359
- later than five years	859,928	825,200
	3,612,980	**13,492,621**
Non-current liabilities	969,241	1,925,559
Current liabilities	2,643,739	11,567,062
	3,612,980	**13,492,621**

The average lease term is 30 years and the average effective borrowing rate is 13.58% Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate on a fixed rate and some fluctuate with the prime lending rate. No arrangements have been entered into for contingent rent.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG grants	3,350,338	892,548
Department of Housing	2,295,010	2,295,010
SRAC grant	2,033	-
GDSD grants	-	3,064
WRDM grants	-	2,185,084
Expanded public works programme	-	978,548
Seta training grants	-	1,082,766
GPR-DLG:ALOE CAP	547,000	547,000
NDPG	1,988,823	-
	8,183,204	**7,984,020**
Movement during the year		
Balance at the beginning of the year	7,984,020	13,874,101
Additions during the year	342,810,281	344,297,249
Income recognition during the year	(342,611,097)	(350,187,330)
	8,183,204	**7,984,020**

See note 31 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised

Figures in Rand	2014	2013

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Change in discount factor	Total
Landfill site rehabilitation	13,509,502	-	1,384,725	14,894,227
Bonus Provision	5,223,408	668,002	-	5,891,410
	18,732,910	**668,002**	**1,384,725**	**20,785,637**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Change in discount factor	Total
Landfill site rehabilitation	14,242,754	-	(733,252)	13,509,502
Bonus provision	-	5,223,408	-	5,223,408
	14,242,754	**5,223,408**	**(733,252)**	**18,732,910**

Non-current liabilities	14,894,227	13,509,502
Current liabilities	5,891,410	5,223,408
	20,785,637	**18,732,910**

1. Landfill Site Rehabilitation

In terms of the review performed by i@ Consulting provision required for restoration of the existing landfill sites is as follows:

1.1. Restoration of the main portion of the Luipaardsvlei Landfill Site was completed in the 2011/2012 financial year.
The Gauteng Department of Agriculture and Rural (GDARD) gave approval in 2012/2013 for an additional 5m air space at the Luipaardvlei Landfill Site which is expected to last until June 2018 (with restoration 2 years thereafter) .

1.2. The approval given in 2012/13 by to close the Magalies Landfill Site within the following 5 years.Suitable land for an alternate site has not been finalised.Magalies Landfill Site is therefore expected to continue to operate till June 2018(with restoration 2 Years thereafter)

None of the above conditions have changed since the prior year,and as a result there is no change in the provision for restoration in 2013/14.However ,the finance cost portion of the provision requires accounting for.Due to the increase in the prime lending rate of 0.25%,the discount rate has been adjusted according to 10,25%,The provisions as at 30 June 2014 will therefore be as follows:

The provision at 30 June 2014 is as follows:

a.Luipaardvlei Landfill Site :R11 165 575

b. Magalies Landfill Site R3,728,652

2..Bonus provision is in relation to the Executive managers(section 56 & 57) and managers as per performance management framework.

17. Payables from exchange transactions

Trade payables	253,593,105	214,238,241
Credit balance from other debtors	5,571,571	2,440,443
Other payables	-	1,523,650

Figures in Rand	2014	2013
17. Payables from exchange transactions (continued)		
Salary third payments	20,428,865	668,395
unpresented cheques	1,534,283	18,094,966
Consumer debtor credit balances	46,921,510	44,330,950
Receivables credit balances	4,939	3,140
Inventory in transit	151,142	118,899
Insurance claim	26,062	-
Unallocated cash	964,156	964,156
Undistributed deposit	22,460,581	22,945,793
Retention	29,654,188	25,033,994
Overtime Accrual	2,552,512	2,044,129
Leave accrual	44,135,057	37,732,855
Bonus accrual	10,024,324	9,759,762
Workman compensation	-	6,203,528
	438,022,295	**386,102,901**
18. Financial liabilities		
At amortised cost		
DBSA 10935 A total of 17 structured 20-year loans to the value of R90 million in total bearing interest at a fixed rate of 15% per annum, of which, these loans are repayable semi-annually in unequal instalments of fixed interest over 20 years, and the balance of R84 million payable in one instalment on 31 March 2018. The bullet repayment of the R84 million capital will be financed from a 20-year sinking-fund gauranteed investment trust purchased from Rand Marchant Bank and Momentum Investments.	87,545,508	87,550,698
DBSA Lalf 15404.1 An unsecured fixed-term loan bearing interest at a fixed rate of 13.56% per annum,repayable semi-annually in equal instalments.The loan was fully repaid as at the 30 June 2014.	-	686,161
DBSA L103217(1) An unsecured fixed-term loan bearing interest at a fixed rate of 12.11% per annum,repayable monthly in equal instalments.this loan will be fully paid on 31 October 2018.An unsecured fixed-term loan bearing interest at a fixed rate of 12.11% per annum,repayable monthly in equal instalments.this loan will be fully paid on 31 October 2018	13,820,378	16,452,374
DBSA L103217(2) An unsecured fixed-term loan bearing interest at a fixed rate of 6.65% per annum,repayable monthly in equal instalments.this loan will be fully paid on 31 October 2018.An unsecured fixed-term loan bearing interest at a fixed rate of 6.65% per annum,repayable monthly in equal instalments.this loan will be fully paid on 31 October 2018	3,076,681	3,738,037
FNB An unsecured fixed-term loan bearing interest at a fixed rate of 11.67% per annum,repayable quaterly in equal instalments.this loan will be fully paid on 31 May 2016.	18,432,429	26,175,945
ABSA An unsecured fixed-term loan bearing interest at a fixed rate of 10.16% per annum,repayable monthly in equal instalments.this loan will be fully paid on 02 August 2021.	42,479,842	47,087,079
NEDBANK An unsecured fixed-term loan bearing interest at a fixed rate of 9.21% per annum,repayable monthly in equal instalments.this loan will be fully paid on 31 Dec 2027.	178,647,957	184,952,304
	344,002,795	**366,642,598**
Total financial liabilities	**344,002,795**	**366,642,598**

Figures in Rand	2014	2013

18. Financial liabilities (continued)

2014
During the year under review Mogale City did not source financing

2013
Mogale City sourced financing of the infrastucture capital projects amounting to R190,994,208 from Nedbank during the year under review, included in the closing balance of R366,642,598 is the long term borrowing from the previous years sourced from various banks namely ABSA,DBSA,FNB.

Non-current liabilities		
At amortised cost	320,848,444	344,697,334
Current liabilities		
At amortised cost	23,154,351	21,945,264

Figures in Rand	2014	2013

19. Financial liabilities by category

2014

	Financial liabilities at amortised cost	Total
Current financial liabilities(refer to note 18)	23,154,351	23,154,351
Trade and other payables(refer to note 17)	438,022,295	438,022,295
Non current financial liabilities(refer to note 18)	320,848,444	320,848,444
Consumer deposits(refer to note 22)	45,609,474	45,609,474
Sundry deposits(refer to note 20)	9,968,309	9,968,309
Current and non current finance lease obligation(refer to note 14)	3,612,980	3,612,980
	841,215,853	**841,215,853**

2013

	Financial liabilities at amortised cost	Total
Current financial liabilities(refer to note 18)	21,945,264	21,945,264
Trade and other payables(refer to note 17)	386,102,901	386,102,901
Non-Current financial liabilities(refer to note 18)	344,697,334	344,697,334
Consumer deposits(refer to note 21)	39,458,450	39,458,450
Sundry deposits(refer to note 20)	9,278,847	9,278,847
Current and non-current finance lease obligation (refer to note 14)	13,492,621	13,492,621
	814,975,417	**814,975,417**

20. Sundry deposits

Services deposits	9,968,309	9,278,847

Sundry deposits consists of hall, kerb, builder's water and key deposits.

21. VAT payable (SARS)

VAT payables	70,446,060	70,831,660

VAT is payable on the the receipt basis.When payment is received from debtors the municipality pay VAT over to SARS.All VAT returns have been submitted by due date throughout the Financial year.

22. Consumer deposits

Electricity and water	45,609,474	39,458,450

The above deposist represent Electricity & Water deposists as the current tariff structure do not permit individual deposit verification

Figures in Rand	2014	2013

23. Non-current receivables

Sundry loans	487,176	891,260
Receivables credit balance transferred(creditors)	4,939	3,140
Stand and housing loans capital	257,349	277,001
Impairment receivables	(749,464)	(1,171,401)
	-	-

Non-current receivables impaired

As of June 30, 2014, the total trade and other receivables of R 749,464 (2013: R 1,171,401) were impaired.

The ageing of these loans is as follows:

Over 6 months	749,464	1,171,401

Reconciliation of provision for impairment of non-current receivables

Opening balance	1,171,401	2,577,838
Rervesal of provision(Written off as uncollectable)	(421,937)	(1,406,438)
	749,464	**1,171,400**

24. Revenue

Service charges	1,122,808,922	1,068,152,668
Rental of facilities and equipment	2,969,096	2,820,595
Interest received - Outstanding debtors	14,518,137	10,348,995
Income from agency services	21,407,918	24,950,345
Licences and permits	28,140	16,743
Other income	83,812,267	72,390,697
Interest received - investment	12,624,109	13,536,638
Dividends received	34,455	-
Property rates	308,722,620	272,542,224
Property rates - penalties imposed	32,025,759	20,863,421
Government grants & subsidies	342,611,100	350,650,478
Fines	170,019,088	10,486,829
	2,111,581,611	**1,846,759,633**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,122,808,922	1,068,152,668
Rental of facilities and equipment	2,969,096	2,820,595
Interest received - Outstanding debtors	14,518,137	10,348,995
Income from agency services	21,407,918	24,950,345
Licences and permits	28,140	16,743
Interest received - investment	12,624,109	13,536,638
Dividends received	34,455	-
	1,174,390,777	**1,119,825,984**

Figures in Rand	2014	2013

24. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	308,722,620	272,542,224
Property rates - penalties imposed	32,025,759	20,863,421
Transfer revenue		
Government grants & subsidies	342,611,100	350,650,478
Fines	170,019,088	10,486,829
	853,378,567	**654,542,952**

25. Service charges

Service charges	29,654,040	22,928,414
Sale of electricity	723,267,883	695,820,945
Sale of water	164,087,024	164,253,527
Sewerage and sanitation charges	105,154,920	94,006,514
Refuse removal	100,636,261	91,130,668
Other service charges	8,794	12,600
	1,122,808,922	**1,068,152,668**

26. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	2,969,096	2,820,595

27. Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of Provincial Department of Transport has been quantified.The income recognised is in terms of the agreement. Income from agency amounted to R19,076,226 in the year under review and R24,950,345 in 2013.

28. Investment revenue

Dividend received		
Dividends	34,455	-
Interest received- external investment		
Bank	12,624,109	13,536,638
Total revenue from investments	**12,658,564**	**13,536,638**

Figures in Rand	2014	2013

29. Other receivables income

Administration fees	1,804,699	473,813
Advertising	1,481,661	1,419,980
Application fees	514,035	426,381
Building plan fees	5,485,873	3,566,054
Bulk service connections	3,674,978	9,660,558
Cemetery fees	2,061,041	1,940,374
Contributions roads, storm water pipes	2,874,770	5,417,930
Insurance claims	74,965	760,818
Medical aid contributions(Pensioners)	51,104	-
Other income	3,519,087	7,293,110
Sale of assets	6,310,712	104,216
Services connections	5,115,516	5,845,977
Unclaimed monies	4,245	191,042
Investment property fair value adjustment	23,355,826	-
Donation/ Transfers of Assets	-	35,190,404
Fair value shares	153,720	100,040
Assets transfered	27,330,035	-
	83,812,267	**72,390,697**

2014
Transfer of assets:

Transferred assets (mostly bulk electricity supply to Pinehaven & roads & stormwater for the new mall and Kagiso Library) of about R27 330 million which in terms of GRAP should be recognized as income.

30. Property rates

Rates received

Residential	318,182,470	295,309,541
Commercial	144,185,396	123,875,297
Small holdings and farms	20,326,766	18,582,390
Less: Income forgone	(173,972,012)	(165,225,004)
	308,722,620	272,542,224
Property rates - penalties imposed	32,025,759	20,863,421
	340,748,379	**293,405,645**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

31. Government grants and subsidies

Operating grants		
Equitable share	222,291,000	210,116,999
Expanded public works programme	2,872,549	1,999,575
WRDM grant	2,671,680	2,289,711
Bontle ke botho	282,905	966,254
Seta training grants	1,407,167	1,295,258
SRAC grants	3,622,989	3,705,677
MSIG	783,450	1,000,000
Interns:WILP	124,200	-
MSIG	2,642,064	16,669,343
FMG	1,300,000	1,250,000
DLGH:Aloe cap project	-	1,653,000
	237,998,004	240,945,817
Capital grants		
Provincial Health Subsidies	-	1,531,290
Municipal Infrastructure Grants	91,638,212	97,313,451
West Rand Distirct Municipality	-	900,000
Bontle Ke Botho	172,095	95,280
Sports Recreation,Arts and Culture	499,978	1,864,640
Municipal System Information Grants	106,550	-
Neighborhood Development Programme	10,011,177	-
District Municipality Area	2,185,084	-
Department of Mineral and Energy	-	8,000,000
	104,613,096	109,704,661
	342,611,100	**350,650,478**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy based on indigent management policy, which is funded from the grant.

MIG grant

Balance unspent at beginning of year	892,548	-
Current-year receipts	94,096,000	98,206,000
Conditions met - transferred to revenue	(91,638,210)	(97,313,452)
	3,350,338	**892,548**

Conditions still to be met - remain liabilities (see note 15)

Department of human settlement grant

Balance unspent at beginning of year	2,295,011	2,295,011

Conditions still to be met - remain liabilities (see note 15)

This grant is administered on behalf of the department of human settlement for the erection of RDP houses.

SRAC grant

Balance unspent at beginning of year	-	800,317

Figures in Rand	2014	2013

31. Government grants and subsidies (continued)

Current-year receipts	4,125,000	4,770,000
Conditions met - transferred to revenue	(4,122,967)	(5,570,317)
	2,033	**-**

Conditions still to be met - remain liabilities (see note 15)

The grant is utilised for the libraries and sports facilities around Mogale City.

DWAF

Balance unspent at beginning of year	-	1,531,290
Conditions met - transferred to revenue	-	(1,531,290)
	-	**-**

Conditions still to be met - remain liabilities (see note 15)

The grant is used to refurbish the water care works in Mogale City and demand water management strategy.

GDSD grant

Balance unspent at beginning of year	3,064	1,172,407
Current-year receipts	2,639,000	15,500,000
Conditions met - transferred to revenue	(2,642,064)	(16,669,343)
	-	**3,064**

Conditions still to be met - remain liabilities (see note 15)

The grant is used for the construction of the early childhood development Centre.

WRDM grant

Balance unspent at beginning of year	2,185,084	3,524,235
Current-year receipts	2,671,680	1,850,560
Conditions met - transferred to revenue	(4,856,764)	(3,189,711)
	-	**2,185,084**

Conditions still to be met - remain liabilities (see note 15)

WRDM funds various activities in the municipality e.g. HIV/AIDS, primary health care, programmes for the youth, elderly, disabled etc.

Expanded public works programme

Balance unspent at beginning of year	978,548	893,123
Current-year receipts	1,894,000	2,085,000
Conditions met - transferred to revenue	(2,872,548)	(1,999,575)
	-	**978,548**

Conditions still to be met - remain liabilities (see note 15)

As per the national government initiative this grant is utilised for labour intensive program.

Seta training grants

Balance unspent at beginning of year	1,082,766	886,185

Figures in Rand	2014	2013

31. Government grants and subsidies (continued)

Current-year receipts	324,401	1,491,839
Conditions met - transferred to revenue	(1,407,167)	(1,295,258)
	-	**1,082,766**

Conditions still to be met - remain liabilities (see note 15)

The grant is utilised to enhance skills for all employees of the municipality.

Department of local government: Aloe Cap

Balance unspent at beginning of year	547,000	2,200,000
Conditions met - transferred to revenue	-	(1,653,000)
	547,000	**547,000**

Conditions still to be met - remain liabilities (see note 15)

The grant will be utilised for revenue enhancement projects

FMG

Current-year receipts	1,300,000	-
Conditions met - transferred to revenue	(1,300,000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 15)

The grant is used for financial management Interns and other financial related projects.

MSIG

Current-year receipts	890,000	-
Conditions met - transferred to revenue	(890,000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 15)

The grants is to be utilised for the purchase of handheld scanners for assets verification.

NDPG

Current-year receipts	12,000,000	-
Conditions met - transferred to revenue	(10,011,177)	-
	1,988,823	**-**

Conditions still to be met - remain liabilities (see note 15).

The grant is to be utilised for the construction of pedestrian walk ways in Kagiso.

Figures in Rand	2014	2013
32. Employee related costs		
Basic	301,424,587	274,504,419
Bonus	24,877,029	21,899,679
Medical aid - company contributions	19,481,070	17,492,068
UIF	2,581,179	2,372,402
SDL	133,542	119,486
Leave pay provision charge	1,554,918	3,253,565
Defined contribution plans	54,439,624	51,157,805
Overtime payments	26,950,514	19,087,068
Long-service awards	209,251	112,320
Acting allowances	1,726,612	1,340,708
Car allowance	37,387,114	33,890,214
Housing benefits and allowances	1,637,876	1,762,273
Section 57 Salaries	13,209,259	12,077,146
	485,612,575	**439,069,153**
Remuneration of Municipal Manager(Mashitisho D.M)		
Annual Remuneration	1,426,247	1,325,866
Car Allowance	144,000	144,000
Performance Bonuses	125,992	-
Contributions to UIF, Medical and Pension Funds	108,829	100,488
	1,805,068	**1,570,354**
Remuneration of Chief Finance Officer(Mahuma L.M.E)		
Annual Remuneration	1,061,322	958,780
Car Allowance	240,000	240,000
Performance Bonuses	119,385	134,392
Contributions to UIF, Medical and Pension Funds	81,460	86,979
	1,502,167	**1,420,151**
Chief Operating Officer(Mbulawa A.)		
Annual Remuneration	1,133,237	1,046,127
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	129,545	116,947
	1,382,782	**1,283,074**
Executive Manager Corporate Support Services(R Mokebe)		
Annual Remuneration	1,052,962	965,875
Car Allowance	180,000	180,000
Performance Bonuses	-	99,993
Contributions to UIF, Medical and Pension Funds	1,861	1,784
	1,234,823	**1,247,652**
Chief Audit Executive (CD Ngutshana)		
Annual Remuneration	437,278	-
Contributions to UIF, Medical and Pension Funds	44,775	-
Leave Resignation	120,837	-
	602,890	**-**

Figures in Rand	2014	2013

32. Employee related costs (continued)

Executive Manager Infrustructure Management(MD Mokotedi)

Annual Remuneration	1,148,040	1,050,000
Car Allowance	240,000	240,000
Performance Bonuses	84,000	99,993
Contributions to UIF, Medical and Pension Funds	1,861	11,603
	1,473,901	**1,401,596**

Executive Manager Integrated Enviromental Management(MN Mokoena)

Annual Remuneration	1,075,835	990,127
Car Allowance	81,489	85,088
Performance Bonuses	106,593	69,995
Contributions to UIF, Medical and Pension Funds	82,196	77,044
Leave Selling	-	275,010
	1,346,113	**1,497,264**

Executive Manager Economic Services(MM Thelejane)

Annual Remuneration	809,176	849,728
Car Allowance	100,000	120,000
Performance Bonuses	74,615	99,993
Contributions to UIF, Medical and Pension Funds	158,254	174,950
Leave Resignation	123,296	-
Acting allowance	8,033	-
	1,273,374	**1,244,671**

Executive Manager Political Office (LR Seoposengwe)

Annual Remuneration	1,001,061	923,386
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	113,761	98,996
	1,234,822	**1,142,382**

Executive Manager Social Services (S Mathebula)

Annual Remuneration	1,007,541	896,135
Car Allowance	187,500	187,500
Performance Bonuses	106,593	139,991
Contributions to UIF, Medical and Pension Funds	37,080	34,159
Acting Allowance	14,606	12,217
	1,353,320	**1,270,002**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

33. Remuneration of councillors

Part time Councillors

Annual Remuneration	8,338,899	6,602,745
Car Allowance	3,334,339	2,664,845
Cellphone Allowance	1,123,886	657,099
Contributions to UIF, Medical and Pension Funds	1,799,081	1,503,154
Data Card Allowance	193,691	-
	14,789,896	**11,427,843**

Executive Mayor(KC Seerane)

Annual Remuneration	520,581	422,118
Car Allowance	206,097	184,372
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	103,184	86,693
Data Card Allowance	3,600	-
	854,330	**713,055**

Speaker(SM Thupane)

Annual Remuneration	415,089	334,688
Car Allowance	164,872	134,057
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	85,588	72,369
Data Card Allowance	3,600	-
	690,017	**560,986**

Chief Whip(SI Dube)

Annual Remuneration	388,206	312,832
Car Allowance	154,573	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	81,183	68,789
Data Card Allowance	3,600	-
	648,430	**527,172**

Section 79 Chair Person(MA Mdzeki)

Annual Remuneration	501,324	435,877
Car Allowance	-	7,942
Cellphone Allowance	20,868	21,000
Contributions to UIF, Medical and Pension Funds	81,006	52,879
Data Card Allowance	3,600	-
	606,798	**517,698**

Figures in Rand	2014	2013

33. Remuneration of councillors (continued)

Mayoral Committee(M Khuzwayo)

Annual Remuneration	388,206	312,832
Car Allowance	154,573	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	81,184	68,789
Data Card Allowance	3,600	-
	648,431	**527,172**

Mayoral Committee(NE Mdlulwa)

Annual Remuneration	388,206	312,832
Car Allowance	154,573	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	81,184	68,789
Data Card Allowance	3,600	-
	648,431	**527,172**

Mayoral Committe(FO Bhayat)

Annual Remuneration	403,233	327,858
Car Allowance	154,573	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	66,308	53,913
Data Card Allowance	3,600	-
	648,582	**527,322**

Mayoral Committee(BH Friedman)

Annual Remuneration	403,233	327,858
Car Allowance	154,573	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	66,308	53,913
Data Card Allowance	3,600	-
	648,582	**527,322**

Mayoral Committee(SD Letsie)

Annual Remuneration	388,206	312,832
Car Allowance	154,573	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	81,184	68,789
Data Card Allowance	3,600	-
	648,431	**527,172**

Mayoral Committee(NC Mangole)

Annual Remuneration	403,233	327,858
Car Allowance	154,573	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	66,308	53,913
Data Card Allowance	3,600	-
	648,582	**527,322**

Figures in Rand	2014	2013

33. Remuneration of councillors (continued)

Mayoral Committee(MA Mathibe)

Annual Remuneration	403,233	327,858
Car Allowance	154,573	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	66,308	53,913
Data Card Allowance	3,600	-
	648,582	**527,322**

Mayoral Committee(AK Setswalo-Moja)

Annual Remuneration	388,206	312,832
Car Allowance	154,573	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	81,184	68,789
Data Card Allowance	3,600	-
	648,431	**527,172**

Mayoral Committee(ME Mathe)

Annual Remuneration	388,206	312,832
Car Allowance	154,572	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	81,185	68,789
Data Card Allowance	3,600	-
	648,431	**527,172**

Mayoral Committee(N Kufa)

Annual Remuneration	388,206	312,832
Car Allowance	154,573	125,679
Cellphone Allowance	20,868	19,872
Contributions to UIF, Medical and Pension Funds	81,185	68,789
Data Card Allowance	3,600	-
	648,432	**527,172**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor and the Speaker has use of a Council owned vehicles for official duties.

The Executive Mayor has four full-time bodyguards.

34. Depreciation and amortisation

Intangible assets	399,726	2,385,665
Property, plant and equipment	266,854,897	239,896,318
	267,254,623	**242,281,983**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

35. Impairment of assets

Impairments		
Property, plant and equipment	(387,175)	-
Intangible assets	-	(981,900)
Impairment of LIMMS System		
	(387,175)	**(981,900)**
Reversal of impairments		
Property, plant and equipment	71,023	1,344,000
Total impairment losses (recognised) reversed	**(316,152)**	**362,100**

The main classes of assets affected by impairment losses are:

In 2013 fnancial year Mogale City has impaired LIMMS system to the value of R 981,899.92

36. Finance costs

Finance leases	17,251,201	18,065,767
Bank	38,049,291	27,355,657
	55,300,492	**45,421,424**

37. Debt impairment

Contributions to debt impairment provision	221,318,129	28,532,791

The significant increase in the contribution to debt impairment is as a result of the Traffic fines debt impairment.

38. Repairs and maintenance

Repairs and maintenance	69,372,351	69,974,982

39. Bulk purchases

Electricity	477,858,235	449,252,578
Water	177,169,761	154,710,943
Sewer purification	2,927,335	3,088,594
	657,955,331	**607,052,115**

Figures in Rand	2014	2013

39. Bulk purchases (continued)

2014
Electricity Losses

During the year under consideration MCLM had unaccounted electricity of 9.74% 70,909,827.88 kwh (7.45 %: 2013, 53,116,316kwh) . The total rand value of these losses were R 32,773,718 (R 24,066,635 : 2013) .The inherent distribution losses of an electricity distribution system(technical losses)can be anything between (6.5% and 10%) depending on the magnitude of the electricity distribution and whether the distribution system is based on latest engineering technology and practice or does it consist of the very old engineering practice of 30-50 years ago like many of the older municipal distribution systems.The electricity tarrifs are structured in such a manner that it makes provision for the recovery of technical system losses.This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Bench mark for system losses is 10% and the Financial Bench Mark (tolerable range) is between 5-12%.

Water Losses

During the year under consideration MCLM had unaccounted water of 29.38%, 9,441,815.58 kl (24%: 2013, 7,196,844 kl). The total rand value of these losses were R 51,568,039 (R 59,009,082 : 2013).This was mainly due to faulty prepaid meters,straight pipes in some areas and leakages.

Intervention undertaken:
1.Replacement of old pipelines(limited number in comparison to the extent of ageing infrastructure)-tenders advertised already
2.Resealing of Magaliesburg Reservoir to be done in the current financial year

3.Installation of prepaid water meters-projected started in Kagiso-Since inception R800,000 has been recorded in sales with approximately 440,000kl accounted for in consumption.

4.Telemetry project is current being implemented which assist in remote monitoring of reservoirs and pump stations and reduce water spillages

5.Other problematic areas have been identified-replacement of such infrastructure will take place on an annual basis due to limited funds.

40. Contracted services

Information Technology Services	7,171,252	11,787,044
Fleet Services	21,051,188	18,890,687
Rental and communication services	26,411,981	35,135,119
Specialist Services	3,681,037	4,041,350
Other Contractors (Security services,lease office equipment,rental water tanks and rental chemical toilet,refuse removal Tedcor and system support)	117,495,781	95,971,217
	175,811,239	**165,825,417**

41. Grants and subsidies paid

Other subsidies		
Other Grants	2,546,299	2,119,755
Basic Services	21,072,371	29,960,802
Grants in aid	1,475,482	314,882
Grants discretionary	367,477	114,441
	25,461,629	**32,509,880**

Figures in Rand	2014	2013

42. General expenses

Advertising	842,461	987,162
Assessment rates & municipal charges	30,567,325	28,670,828
Audit committe remuneration	215,530	136,290
Bank charges	3,130,294	1,134,756
Internet fees	73,225	45,443
Settlement and legal fees	12,549,786	11,062,899
Consumables	788,194	537,214
Entertainment	7,500	25,038
Gifts	9,154	7,881
Insurance	2,878,742	2,605,134
Bursary scheme/External	966,000	971,000
Conferences and seminars	335,229	297,305
Fleet	51,270	62,551
Horticulture	2,157,464	1,920,324
Magazines, books and periodicals	145,648	142,013
Medical examination/X-rays	860	-
Pest control	-	57,913
Fuel and oil	13,540,547	12,418,149
Postage and courier	4,537,933	3,316,095
Printing and stationery	1,857,640	2,010,656
Safety equipments/Protective clothing	623,462	210,953
Special Projects	11,851,611	9,090,697
License fees	2,748,332	2,390,821
Coida	4,519,306	2,642,249
Refreshments general & meetings	623,318	517,878
Subscriptions and membership fees	4,720,297	3,950,898
Telephone and faxes	9,844,726	10,130,926
Training	2,074,505	1,156,744
Travel - local	1,098,419	612,905
Travel - overseas	516,364	56,138
Purchases for consumption	4,151,844	5,045,445
Skills levy	3,974,964	3,557,190
Public Participation	829,621	479,249
Current services costs	9,816,920	9,805,684
Acturial gains and losses	6,450,524	8,671,650
Veterinary department	732,106	-
Venue expenses	1,331,140	1,464,524
Other expenses	11,207,160	9,499,696
	151,769,421	**135,692,298**

43. Fair value adjustment and assets written off

Assets written off	10,614,344	7,160,925
Fair value adjustments	-	68,656,630
	10,614,344	**75,817,555**

Figures in Rand	2014	2013

44. Prior year adjustments

2013	As previously reported	Change in accounting policy	Corrections	Reclassification	Restated
Statement of Financial Performance					
Revenue:					
Property Rates	272,542,224	-	-	-	272,542,224
Property Rates- Penalties Imposed	20,863,421	-	-	-	20,863,421
Service Charges	1,068,152,668	-	-	-	1,068,152,668
Government Grants & Subsidies	350,187,328	-	-	-	350,650,478
Rentals of Facilities and Equipment	2,820,595	-	-	-	2,820,595
Interest received- Investment	13,598,049	-	61,411	-	13,536,638
Dividends Received	-	-	-	-	-
Interest Received- Outstanding Debtors	10,348,995	-	-	-	10,348,995
Fine	10,486,829	-	-	-	10,486,829
Licence and permit	16,743	-	-	-	16,743
Income from Agency Services	24,950,345	-	-	-	24,950,345
Other Income	75,490,348	-	-3,099,651	-	72,390,697
Total Revenue	1,849,457,545	-	-3,161,062	-	1,846,759,633
Expenditure:					
Employee related costs	437,997,093	-	-	1,072,060	439,069,153
Remuneration of councillors	19,019,067	-	-	-	19,019,067
Depreciation and armortisation	241,042,305	1,239,678	-	-	242,281,983
Impairment loss/Reversal of impairment	-362,100	-	-	-	362,100
Finance costs	45,072,281	349,143	-	-	45,421,424
Contracted services	166,898,510	-	-1,073,093	-	165,825,417
Grants and subsidies	32,509,880	-	-	-	32,509,880
Bulk purchases	607,052,115	-	-	-	607,052,115
Debt impairement	28,532,791	-	-	-	28,532,791
Collection costs	24,929,715	-	-	-	24,929,715
Repairs and maintenance	75,033,549	-	-	-5,058,567	69,974,982
General expenses	144,115,862	-	-7,351,504	-1,072,060	135,692,298
Fair value adjustments and assets written off	81,228,315	-	-5,410,760	-	75,817,555
Total expenditure	**1,903,069,383**	**1,588,821**	**-13,835,357**	**-5,058,567**	**1,885,764,280**
Surplus for the year	**-53,611,838**	**-1,588,821**	**10,674,295**	**5,058,567**	**-39,004,647**
Statement of Financial Position					
Current Assets					
Inventories	11,163,246	-	-	-	11,163,246
Receivables from exchange transactions	45,215,751	-	-3,116,510	-	42,099,241
Consumer debtors	394,028,861	-	-	-	394,028,861
Cash and cash equivalents	90,163,273	-	-	-	90,163,273
Operating lease asset	351,841	-	-	-	351,841
	540,922,972	**-**	**-3,116,510**	**-**	**537,806,462**
Non-current assets					
Investment property	512,780,785	-	-36,289,778	2,565,475	479,056,482
Property, plant and equipment	5,229,913,155	3,616,652	35,388,641	-947,258	5,267,971,190
Intangible assets	1,026,095	-	-	117,263	1,143,358
Heritage assets	619,685	-	-	-	619,685
Other financial assets	47,107,548	-	-	-	47,107,548
Biological assets that do not form part of an agricultural activity	3,616,652	-3,616,652	-	-	-

Figures in Rand				2014	2013

44. Prior year adjustments (continued)

	5,795,063,920	**-**	**-901,137**	**1,735,480**	**5,795,898,263**
Current liabilities					
Employee benefit obligation	12,406,384	-	2,998,556	-	15,404,940
Finance lease obligation	7,072,756	-	4,494,306	-	11,567,062
Unspent conditional grants and receipts	8,447,169	-	-	-463,149	7,984,020
Provisions	15,654,533	-	-	-15,654,533	-
Payables from exchange transactions	392,263,089	-	-936,780	-	391,326,309
Other financial liabilities	21,945,264	-	-	-	21,945,264
Sundry deposits	9,278,847	-	-	-	9,278,847
VAT payable	70,831,889	-	-229	-	70,831,660
Consumer deposits	39,458,450	-	-	-	39,458,450
Operating lease liability	148,197	-	-	-	148,197
	577,506,578	**-**	**6,555,853**	**-16,117,682**	**567,944,749**
Non-current liabilities					
Employee benefit obligation	112,641,775	-	-	48,409,256	161,051,031
Finance lease obligation	5,528,003	-	-3,602,444	-	1,925,559
Provisions	61,918,758	-	-	-48,409,256	13,509,502
Financial liabilities	344,697,334	-	-	-	344,697,334
	524,785,870	-	-3,602,444	-	521,183,426
Social Responsibility fund	-	-	-	6,229,360	6,229,360
Accumulated surplus	5,233,694,444	-	10,882,106	-6,229,360	5,238,347,190
Total Net Assets	**5,233,694,444**	**-**	**-**	**-**	**5,244,576,550**
Prior Year adjustment	**-**	**-**	**10,882,106**	**-**	**5,244,576,550**

Prior year adjustments
Corrections
1. Correction of interest accrued in the wrong financial year: R61 411
2. Re instatement of bulk contribution the receipts were not allocated to the debtor account: R3 099 651.
3. Corrections of depreciation on different assets: R514 532
4. Fair value adjustment of transferred properties corrections: R5 410 760
5. Corrections on different line items: R7 351 504
6. Correction of accrued amount in wrong financial year on sundry debtors: R3 116 510.
7. Correction of investment property due to the transfer of properties from Mogale City to private ownership: R36 289 778.
8. Inclusion of omitted assets: R35 388 641
9. Correction of employee benefit obligation recorded as provision: R2 998 556.
10. Correction of finance lease obligation net effect of R891 862.
11. Correction on payables from exchange transactions net effect of R936 780 (mainly corrections are on bonus accrual, overtime accrual & workman compensation).
12. Correction of VAT payable: R229.

Reclassification
1. Reclassification of gratuity from provision to employee benefits: R1 072 060.
2. Repairs & maintenance expenditure transferred or reclassified to capital expenditure due to nature of the transactions: R5 058 567.
3. Reclassifying incorrect classification of impairment on investment properties erroneously recorded: R2 565 475.
4. Reclassification of work in progress and correctly classifying items of PPE: R947 258.
5. Reclassification of computer software to intangible assets: R117 263
6. Reclassification of gratuity provision, medical & long services leave from provisions to employee benefit obligation as per GRAP 25 requirements: R48 409 256.

Change in accounting policy

1. Change in depreciation due to recognition of biological assets from GRAP 27 to GRAP 17:R1 239 678
2. Moving of biological assets to property, plant and equipment (GRAP 27 to GRAP 17): R3 616 652.
3. Borrowing costs changes: R349 143

Figures in Rand	2014	2013

44. Prior year adjustments (continued)

	-	-

45. Cash generated from operations

Deficit	(67,321,885)	(39,004,647)
Adjustments for:		
Depreciation and amortisation	267,254,626	242,281,983
Fair value gain on assets	(23,355,826)	(100,040)
Fair value gain on investments	(153,720)	75,817,555
Sale of assets	(6,310,712)	(104,217)
Loss on disposal of assets	10,614,344	8,295,908
Employee benefits	29,469,988	73,331,500
Public donation	(27,330,035)	(44,089,774)
Impairment reversals	-	(1,344,000)
Impairment deficit	-	981,900
Debt impairment	221,318,129	28,532,791
Movements in operating lease assets and accruals	(92,619)	(525,915)
Movements in provisions	2,052,727	(53,065,937)
Other non-cash items	(3,745,055)	(18,532,206)
Changes in working capital:		
Inventories	(2,894,415)	366,608
Consumer debtors	(185,021,475)	(117,902,906)
Other receivables from non-exchange transactions	(13,037,250)	2,184,947
Payables from exchange transactions	51,919,395	54,070,672
VAT	(385,600)	(2,106,748)
Unspent conditional grants and receipts	199,184	(5,890,081)
Consumer deposits	6,840,486	4,188,204
	260,020,287	**207,385,597**

Figures in Rand	2014	2013

46. Budget differences

Material differences between budget and actual amounts

Management considers 10% or more of variance as material. A detailed description of the variance is provided below.
Revenue
1. The revenue from income from agency under collected by 14% in the year under review this line item is driven by public demand.

2. The high percentage variance in investment external is due to fair value adjustment of investments we held as a sinking funds for loans we took with DBSA previously.

3. Interest received on outstanding debtors – revenue enhancement strategy has bear fruits that more interest has been collected.

4. Other income this is made of a variety of income items notably transferred assets (mostly bulk electricity supply to Pinehaven & roads & stormwater for the new mall and Kagiso Library) of about R27 330 million which in terms of GRAP should be recognized as income, in addition fair value adjustment of investment properties of R23 356 million, service connections & bulk contributions, building plans and cemetery fees are also some of the highest contributors.

5. The income from property rates- penalties imposed which are reconnection fees that are paid by delinquent customers indicates a higher percentage of 106% due to vigorous and stringent revenue enhancement strategy on collection of debt.

6. Traffic fines indicate a high percentage of income the main reason is implementation of IGRAP 1 regarding how municipality should treat the collection traffic fines.

Expenditure

1. There is a saving of R7 153 million in overall this is due to cost cutting measures implemented during the year but not hampering service delivery. The following category of expenditures have realised saving:
• Contracted services by 21%
• Grants and subsidies paid by 30%

2. The debt impairment increased compared to budget. The variance is due to an increase in the provision for bad debts resulting from an increase in the debtors in the 120 days category which is attributed to the poor current economic conditions.

3. Collection costs overspent by R4 805 million due to due to the implementation of revenue enhancement strategies.

4. Repairs & Maintenance overspent by R18 851 million primarily due to the reclassification of certain expenditure which was costed to capital budget.

5. General expenses are over budget mainly due to traffic fines impairment of about R119 676 million.

6. Mogale City will apply its approved Virement Policy where certain line items indicate an over expenditure.

Figures in Rand	2014	2013

47. Commitments

Authorised capital expenditure

Already contracted for		
• Infrastructure	646,763	10,853,080
• Community	4,048,124	892,583
• Other	360	259,076
	4,695,247	**12,004,739**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	4,854,518	14,490,703
- in second to fifth year inclusive	1,326,562	2,022,149
	6,181,080	**16,512,852**

Operating lease payments represent rentals payable by the municipality for certain of its office, trucks, motor vehicles, cellphones and 3G cards and photocopy machine. Leases are negotiated for an average term of 36-120 months.Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or prime lending rate . No restrictions have been imposed on the municipality in terms of the operating lease agreements. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	730,422	835,041
- in second to fifth year inclusive	983,581	1,411,971
- later than five years	262,632	235,868
	1,976,635	**2,482,880**

Certain of the municipality's property is held to generate rental income. Lease agreements have terms from 6 to 25 years. the rental escalates at 10% on average. There are no contingent rents receivable.

Figures in Rand	2014	2013

48. Contingencies Liabilities

Outstanding Legal Matters

Catergory A

Mathe Construction The applicants were contracted by the municipality to construct low costing houses. The agreement was cancelled by the Municipality after the withdrawal of funding by the Provincial Housing Department. The applicant is suing the Municipality for damages suffered as a result of the cancellation of the contract.	5,500,000	5,500,000
Letratek (Pty) Ltd Alleges serious flaws with the awarding of tender and that it should have been awarded to him.	5,000,000	5,000,000
V. Venter Traffic Vehicle of the Municipality collided with the plainteff's vehicle and he is claiming for damages	22,000	22,000
Chabano Trading Consultant The Plaitiff alleges that Municipality has unlawfully terminated the contract.	1,167,770	1,167,770
Thembi Sheila Hlwatswayo Loss of income as result of husband's death caused by tree that fell on her husband's motor vehicle.	800,000	800,000
Francois Jacobs Van Staden The plaintiff instituded a claim against the Municipality as a result of damages he suffered after falling into a pot hole with his motor cycle.100% as the responsibility for the upkeep of the road lies with the MEC	-	38,423
National Funds for Municipal Workers The plaintiff instituted a claim against the Municipality as a result of employees who moved NFM to Discovery Scheme without consent of NFW. There are no prospect of success and the matter is to be settled.	-	954,105
M.E. Maluleke ThePlaintiff instituted a claim for injuries against the Municipality as she fell into a storm Water hole.	56,045	56,045
Charles Deetlefs Reimbursements for the monies paid to the Municipality for rates and taxes by transferring attorneys.	-	80,872
Jonathan T Mfelang The plaintiff alleges the the Municipality has neglected to maintain a manhole and as a result he fell into that manhole and sustained injuries	-	481,000

Figures in Rand		2014	2013

48. Contingencies Liabilities (continued)

N Wesele		-	350,000
The plaintiff alleges that the Municipality has neglected to maintain a manhole and as a result he fell into that manhole and sustained injuries			
Khalipha Entertainment		2,000,000	2,000,000
MCLM sued service provider for failing to give proper account of the jazz and payment made in terms of the contract and Khalipha made a counter claim against MCLM of the same amount.			
Subtotal		**14,454,815**	**16,450,215**
Catergory B			
Labour matters			
Deputy Directors **1) S.Makgatla** **2) L. Tshoane** **3) N. Mabunda** **4) A. Maswanganyi** **5) T Mathye** **6) J Nkhumane**		1,850,000	1,850,000
The former directors allege unfair termination of the contract of employment in that their contracts should have been made permanent.			
S. Kuane		74,000	
Unfair labour practise based on placement matter at labour Court			
Murray & Ors		3,000,000	3,000,000
The employee alleges that they did not receive notches 168 Employees Matter is still pending settlement negotiations underway and provision of additional information from finance and IMATU			
Colbert Mphaphudi		328,200	328,200
Unfair Labour practise			
Madelen van Rooyen		107,069	
Victor Tafu		480,753	480,753
The employee alleges he was unfairly dismissed			
Subtotal		**5,766,022**	**5,732,953**
Total		**20,311,838**	**22,183,168**

Figures in Rand	2014	2013

48. Contingencies Liabilities (continued)

Contingent assets

2014

I Van Wyk

The Municipality is suing the Defendant for outstanding rates and taxes amounting to R45000.

Khaba B

The municipality is suing for damages amounting R42,000 as a result of alleged fraud by the defendant.

Willturnerkey Construction
The Municipality erroneously overpaid an amount of R317,000 to Willturner Key Construction.

Naledi Plant Hire
The Municipality filed a counter claim of R813,247 overpayment to Naledi Plant Hire.

Khalipha Entertainment
MCLM sued service provider an amount of R1,800,000 for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.

African Bush Adventures
The municipality cancelled the contract in a process of recovering the outstanding rates and taxes payments amounting R1,700,000.

Game Reserve Lodge
The municipality is suing for outstanding rental payments amounting to R180,000 of the leased premises.

2013

Khalipha Entertainment
MCLM sued service provider who organised jazz festival and failed to give proper accounts and make payments in terms of the contract. The amount to be paid is R1,800,000.

Willturnkey Construction
MCLM erroneously overpaid the money to Willturnkey,The amount to be paid is R317,000

Figures in Rand	2014	2013

49. Related parties

Relationships

Accounting Officer	Mr D.M Mashitisho
Members of key management	Mr L.M.E Mahuma
	Mr D.C Ngutshana
	Ms S. Mathebula
	Mrs R. Mokebe
	Mr B. Seopasengwe
	Ms M. Mokoena
	Ms M. Thelejane
	Mr D. Mokotedi
	Mr A. Mbulawa

Transcations relating to key management personnel are disclosed in note 33 & 34 and have been accounted for according to IPSAS 20

50. Irregular expenditure

Opening balance	5,410,765	42,249,024
Irregular Expenditure - current year	-	42,424,197
Less: Expenditure regularised by Council	(5,410,765)	(79,262,456)
Closing balance	**-**	**5,410,765**

2013

Expenditure amounting to R5,410,765 was deemed irregular during 2012/2013 financial year ,the item for regularisation of the said expenditure was served before Council on 30 October 2013 Item K (ii) 8(10/2013).

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,146,806	3,863,884
Amount paid - current year	(1,146,806)	(3,863,884)
	-	**-**

Audit fees

Current year subscription / fee	3,081,110	3,326,484
Amount paid - current year	(3,081,110)	(3,326,484)
	-	**-**

PAYE and UIF

Opening balance	5,348,022	4,141,427
Current year subscription / fee	64,620,924	61,449,479
Amount paid - current year	(58,383,974)	(56,101,456)
Amount paid - previous years	(5,348,023)	(4,141,428)
	6,236,949	**5,348,022**

Figures in Rand	2014	2013

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	36,400	16,520
Current year subscription / fee	121,635,841	112,498,922
Amount paid - current year	(112,263,346)	(112,479,042)
	9,408,895	**36,400**

Councillors' arrear consumer accounts

Councillors had no arrear accounts outstanding of more than 90 days at June 30, 2014:

June 30, 2013	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Daniel T	-	31,706	31,706

52. Audit committee remuneration

Fees	215,530	136,290

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

53. Fruitless and wasteful expenditure

Opening balance	-	3,860,082
Fruitless expenditure -Current year	4,179,247	-
Less expenditure condoned by council	-	(3,860,082)
	4,179,247	**-**

2014
The municipality incurred fruitless and wasteful expenditure during the year under review from interest levied on late payment to Eskom and Rand water respectively.The lateness of payment derives from unfavourable payment terms set out in the contract with the Eskom.

2013
The municipality incurred fruitless and wasteful expenditure during the year under review from interest levied on late payment to eskom and Rand water respectively.The lateness of payment derives from unfavourable payment terms set out in the contract with the Eskom.The fruitless expenditure was condoned by council on the 05 December 2013 (Item K(ii)4(12/2013)

54. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	344,002,795	366,642,598

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Figures in Rand	2014	2013

55. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

COUNCIL ITEM NR	K(ii) (09/2013)	
DESCRIPTION	Temporary Management of the Krugersdorp Game Reserve	
AWARDED TO	Red Ant Security Services	
AMOUNT	R 125 000 per month	1,500,000.00
SECTION	Section 36 (1) (a)(v): Impossible to follow normal procurement process	

COUNCIL ITEM NR	K(ii) 4 (01/2014)	
DESCRIPTION	Extension of scope on budget Caseware templates and training of Budget and Treasury officials	
AWARDED TO	CQS Technology Holdings (Pty) Ltd	
AMOUNT	R 79 374.00	79,374.00
SECTION	Section 36 (1)(a)(ii) – Sole Service provider	

COUNCIL ITEM NR	K(ii) 4 (01/2014)	
DESCRIPTION	Appointment of a service provider for Phase 2 of the Refurbishment of Bob van Renen stadium.	
AWARDED TO	Tauris Garden Trading 500 cc and ProPlan Consulting Engineers	
AMOUNT	R 10 000 000 including professional fees	10,000,000.00
SECTION	Section 36 (1)(a)(v) – Impractical to follow normal procurement process.	

COUNCIL ITEM NR	K(ii) 4 (01/2014)	
DESCRIPTION	Project Completion (snaglist): I (W&S) 11/2008: Upgrading of Percy Steward Wastewater Treatment Works	
AWARDED TO	Mpanza KE Enterprises cc & SAME Water	
AMOUNT	R 209 395 (exl Contingencies) & R 103 832.27 (including VAT and 20% contingencies)	313,227
SECTION	Section 36 (1)(a)(v) – Impractical to follow normal procurement process	

COUNCIL ITEM NR	K(ii) 4 (01/2014)	

55. Deviation from supply chain management regulations (continued)

DESCRIPTION Extension of tender I (FM) 21/2010: Maintenance and repairs to all building and building related electrical distribution and fittings for MCLM inner city buildings for two months ending 30 Aug 2013

AWARDED TO Landa Electrical Projects

AMOUNT Original tender value R 2 769 660.45 with 20% extension of R553,932.
New contract value R3,323,592 553,932

COUNCIL ITEM NR K(ii) 4 (01/2014)

DESCRIPTION Extension of tender SS (T&S) 08/2010: Prevention of land invasion and vandalism of infrastructure for a period of three months until 30 September 2013

AWARDED TO Red Ant Security Services

AMOUNT As and when required basis for a period of three months.

COUNCIL ITEM NR K(ii) 4 (01/2014)

DESCRIPTION Extension of tender: I (R) 13/2013 Construction of PR 3: Kagiso Ext 13 (Stage 1) Roads and Stormwater

AWARDED TO Jodan Construction (Pty) Ltd

AMOUNT Original appointment of R 6 816 162.73 (24 weeks construction) be increased to R 8 179 395
(26 weeks construction) MIG funding 1,363,233

COUNCIL ITEM NR K(ii) 4 (01/2014)

DESCRIPTION Extension of Current Full Maintenance Lease for vehicles: I (F) 42/2010: 1 x Landfill Compactor ,• I (F) 44/2010: 6 x Waste Trucks,3 x Roll on's, 3 x Skip Loaders,• I (F) 43/2010: 54 x General Vehicles

AWARDED TO Aqua Transport and Plant Hire (Pty) Ltd and SMM Telematics

AMOUNT Expired on 31/10/2013 extended until 31/08/2014 R189,000 per month,Expired on:20/08/2013 extended until 31/08/2014 R379,624 per month

COUNCIL ITEM NR K (ii) 3(03/2014)

DESCRIPTION Procurement of an official vehicle for the Speaker of MCLM

AWARDED TO Chrysler Jeep Dodge Constantia (Sandown Motor Holdings)

AMOUNT R 637 954 Including full maintenance and service plan for 5 years or 100 000 km 637,954

SECTION Section 36 (1)(a)(v) – Impractical to follow normal procurrement process

COUNCIL ITEM NR K(ii) 3 (03/2014)

DESCRIPTION Hiring of Plant for the removal of illegal dumping during Dec 2013 and Jan 2014 (hail damage)

AWARDED TO Uhuru Trucking and Transport

55. Deviation from supply chain management regulations (continued)

AMOUNT R 383 610 (from Social Responsibility Fund) 383,610

SECTION Section 36 (1)(a)(a) - Emergency situation

COUNCIL ITEM NR K(ii) 3 (03/2014)

DESCRIPTION Tender no: I (W&S) 21/2012: Delivery or potable water to Informal Settlements within MCLM areas for a period of three years. Increase of original contract and budgeted amount for 2013/14

AWARDED TO Twin-M Plant Hire

AMOUNT Total estimated value of tender increased from R 22 876 446 to R 65 000 000 42,123,554

SECTION Section 36 (1)(a)(v) - impractical to follow normal supply chain process

COUNCIL ITEM NR K(ii) 3 (03/2014)

DESCRIPTION Extension of tender COO (IT) 01/2010: Supply, delivery and maintenance of computers, laptops and printers on operational lease for five months

AWARDED TO Intergr8 IT

AMOUNT Monthly rental for the first batch of IT equipment will reduce from R 57 616 to R 36 314 Likewise the second and third batches will be reduced when it reaches its 3 year rental period.

SECTION Section 36 (1)(a)(v) - impractical to follow normal supply chain process

COUNCIL ITEM NR K (ii) 3(04/2014)

DESCRIPTION Kromdraai Waterline Refurbishment: Commencement of Construction (transfer of project from WRDM during demarcation)

AWARDED TO Contractor: Maseno General Trade and KH Civils JV

AMOUNT R 2 185 084 transferred from WRDM. 2,185,084

SECTION Section 36 (1)(a)(v) - impractical to follow normal supply chain process

COUNCIL ITEM NR K (ii) 3(04/2014)

DESCRIPTION Recommencement of the LIMMS Programme

AWARDED TO "RSL Enterprise Solutions (Pty) Ltd trading as RAMCO:

Implementation of Integrated Financial Management Module (IFMS)AMOUNT R 6 999 800 6,999,800.00

AWARDED TO Absalom Systems SA (Pty) Ltd: Implementation of Payroll and HR Module

AMOUNT R 2 158 220 2,158,220

SECTION Section 36 (1)(a)(v) - impractical to follow normal supply chain process

55. Deviation from supply chain management regulations (continued)

COUNCIL ITEM NR

DESCRIPTION I (W&S) 27/2013: Resealing of Water Tightness in Kenmare Reservoir: Emergency ratification of extension of scope of work due to emergency situation

AWARDED TO Casnan Civils and Morad Consulting Engineers

AMOUNT Increased from R 3 936 951 to R 6 846 587 2,909,636

SECTION Section 36 (1)(a)(v) - impractical to follow normal supply chain process

COUNCIL ITEM NR K(ii) 2(06/2014)

DESCRIPTION Urgent Remedial Work required at Luipaardsvlei Landfill Site Phase 4

AWARDED TO Fountain Civil Engineering and Proplan Consulting Engineers

AMOUNT R 900 000 MIG allocation

SECTION Section 36 (1)(a)(v) - impractical to follow normal supply chain process

COUNCIL ITEM NR K(ii) 2(06/2014)

DESCRIPTION Repair and Maintenance of Lesira-Teq Water meters on an as and when required basis for a period of one year

AWARDED TO Lesira-Teq (Pty) Ltd

AMOUNT Total estimated expenditure for a period of one year is R 200 000

SECTION Section 36 (1) (a) (ii): Sole Provider.

COUNCIL ITEM NR K(ii) 2(06/2014)

DESCRIPTION Emergency Repair work to main feeder supply cable between Condale substation and Krugersdorp North

AWARDED TO CBI African Cables

AMOUNT R 1 497 042

SECTION Section 36 (1) (a) (i): Emergency

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Appointment of a service provider to Facilitate with the Identification of Mass Graves said to be in the Krugersdorp Game Reserve

AWARDED TO Art Africa Alliance

AMOUNT R 370 700.00 370,700.00

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

55. Deviation from supply chain management regulations (continued)

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Utilisation of the Mogale Asset Management Consortium (F SCM 04/2008) for the Blue Water Requirements

AWARDED TO Mogale City Asset Management Consortium. Bigen Africa as the lead partner

AMOUNT R 139 631

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Purchase of a Business Analytical Tool, IBM Cognos Express and Disclosure Management as part of the Integration Project of the LIMMS Programme

AWARDED TO IBM South Africa (Pty) Ltd

AMOUNT R 383 881 + R 91 086 474,967

SECTION Section 36 (1)(a)(ii): Sole provider

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Extension of tender F (SCM) 04/2008: Implementation and Maintenance of an Integrated Infrastructure Asset Management System for a period of seven months to 31 December 2014

AWARDED TO Mogale City Infrastructure Asset Management Consortium

AMOUNT R 3 184 114 3,184,114

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Request for extension of scope of work of tender F (V) 04-2012: Compilation of the general valuation roll Mogale City Local Municipality

AWARDED TO Northwest Valuation Services CC

AMOUNT R675 000

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Extension of scope of work – Tender I (B) 12/2014: Refurbishment of the Existing Green Hostel at Kagiso Extension 11 – to accommodate the tenants during refurbishment of the hostel

AWARDED TO KH Civils and Maseno General Trade JV

55. Deviation from supply chain management regulations (continued)

AMOUNT R 663 086

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Extension of scope of work for tender CORP (ADM) 06/2012: Rendering of Cleaning Services for MCLM Buildings for a period of two years, to include the cleaning of offices at 3 x Waste Water Treatment Works

AWARDED TO Hetlisa Cleaning Services and Kamgolozile Construction and Projects JV

AMOUNT R 30 389 per month for three months. 91,167

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Extension of scope of work for tender SS (SR) 04/2014: Rehabilitation and Upgrading of Azaadville Sport Complex to include the renovation of an additional combi court

AWARDED TO Rigamani Construction (Pty) Ltd

AMOUNT R 100 000 (Increasing total project value to R 8 167 914) 100,000

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Extension of scope of work – Tender ES (R) 03/2014: Construction of 6.7km Pedestrian Walkways Connecting Kagiso Mall to the Leratong Node – to include streetlights

AWARDED TO Kingsway Civil (Pty) Ltd

AMOUNT R 1 663 826

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Extension of tender COO (IT) 01/2010 for the Operational Lease of Computers, laptops and Printers for another period of six months or pending the award of the new tender (1 June 2014 to 30 November 2014)

AWARDED TO Integr8 IT (Pty) Ltd

AMOUNT R 737 669

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

55. Deviation from supply chain management regulations (continued)

DESCRIPTION Extension of tender CORP (ADM) 06/2011 for the implementation of unique cellular phones management tool, which customized for Mogale City for six months as from 1 May to 31 October 2014

AWARDED TO MTN Service Provider (Pty) Ltd

AMOUNT Approx R 255 000 pm for six months 1,530,000

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Extension of scope of work for tender F (R) 01/2014: Supply, delivery and commissioning of hand-held meter reading machines for the reading of water and electricity meters to include extended warrantee and extra software modules

AWARDED TO Consolidated African Technologies (CAT)

AMOUNT R 188 139

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Extension of scope of work for tender I(W&S) 29/2013 Supply, delivery, Installation, Reading and Maintenance of Prepaid Water Meter System to include the vending of prepaid water

AWARDED TO Kgosihadi Trading VZ Contractors JV

AMOUNT Vending of pre-paid water at a rate of 10% (including VAT) on sales of water

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Extension of scope of work for tender SS (SR) 03/2014: Renovation and Upgrading of Kagiso Sport Complex to include the Supply and Laying of Stormwater Pipes on Class B Bedding and Construction of manhole

AWARDED TO Rigamani Construction

AMOUNT R 200 000 (including professional fees)

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Request for increase of estimated tender value I (R) 30/2012 Roads rehabilitation and surfacing: construction of surface seals, asphalt bases and surfacing for a period of thirty six (36) months

AWARDED TO Roadmac Surfacing (Section A - Asphalt seals); Boitshoko Road Surfacing and Civil Works (Section B - Single and double seals) and SP Surfacing (Section C - Slurry seals)

55. Deviation from supply chain management regulations (continued)

AMOUNT Be increased by the allowed 20% from R 42 m to R 50.2m 8,200,000

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR K(ii) 3 (7/2014)

DESCRIPTION Request for extension of scope of work for tender F (R) 01/2013: Management of Credit Control and Revenue Protection Administration and Related Field Actions to include the AMR Enablement of all Water meters installed in Featherbrooke

AWARDED TO IPES-Utility Services (UMS)

AMOUNT R 1 538 976

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR

DESCRIPTION Extension of tender COO (PMU) 01/2011: Appointment of Experienced Service Providers to render Professional Civil Engineering Services on an a and when required basis for a period of six months ending 30 November 2014

AWARDED TO Proplan Consulting Engineers and Morad Consulting Engineers

AMOUNT % of total contract value assigned to consulting engineer

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR

DESCRIPTION BIQ System Support and Maintenance for a period of twelve months (1 July 2013 to 30 June 2014)

AWARDED TO Comperio Forensic Services

AMOUNT R 166 235 pm for a period of 12 months 1,994,818

SECTION Section 36 (1)(a)(v): Impractical to follow the normal SCM process

COUNCIL ITEM NR

DESCRIPTION Urgent deviation required for Installation of Additional Network Points as for VoIP Connectivity for Remote (Satellite) Sites

AWARDED TO Brilliantel and Melcorp

AMOUNT R 650 000

Figures in Rand	2014	2013

55. Deviation from supply chain management regulations (continued)

56. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 14, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement changes in net assets.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of changes in net assets plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 4.6% to 5%.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2014 and 2013 respectively were as follows:4.62% and 5.22%.

Total borrowings			
Finance lease obligation	14	3,612,980	12,600,759
Other financial liabilities	18	344,002,795	366,642,598
		347,615,775	**379,243,357**
Less: Cash and cash equivalents	5	96,704,604	90,163,273
Net debt		250,911,171	289,080,084
Total equity		5,177,146,774	5,244,576,550
Total capital		**5,428,057,945**	**5,533,656,634**

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments.

Credit risk

Figures in Rand	2014	2013

56. Risk management (continued)

Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivable from non exchange transcations and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.